Ally Financial Inc.
Form S-1/A
October 05, 2012
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As filed with the Securities and Exchange Commission on October 5, 2012

Registration No. 333-173198

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 7

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ALLY FINANCIAL INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**6172**	**38-0572512**
		(I.R.S. Employer Identification Number)

(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)

200 Renaissance Center

P.O. Box 200

Detroit, MI 48265-2000

(866) 710-4623

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

David J. DeBrunner

Vice President, Chief Accounting Officer, and Corporate Controller

Ally Financial Inc.

200 Renaissance Center

P.O. Box 200

Detroit, MI 48265-2000

(866) 710-4623

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated 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.

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount Of Registration Fee**
Common Stock, par value $0.01 per share	$100,000,000	$11,610(3)
Tangible Equity Units	$100,000,000	$11,610(3)
Stock Purchase Contracts(4)		
Junior Subordinated Amortizing Notes		

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.
(2) Includes offering price of shares and units that the underwriters have the option to purchase pursuant to their over-allotment option.
(3) Previously paid.
(4) In accordance with Rule 457(i) under the Securities Act, this registration statement also registers shares of our common stock, which is our reasonable good-faith estimate of the maximum number of shares of our common stock that are initially issuable upon settlement of the stock purchase contracts registered hereby. The number of shares of our common stock issuable upon such settlement may vary based on the market price of the common stock registered hereby. If the number of shares of our common stock needed to settle such purchase contracts is greater than such estimate due to the operation of the formula described herein that links the number of shares to the market price of our common stock at the time of such settlement, the Registrant will either file an additional registration statement or rely on an available exemption from registration, such as Section 3(a)(9) of the Securities Act. In addition, the number of shares of our common stock initially issuable upon such settlement is subject to adjustment pursuant to the anti-dilution provisions of the stock purchase contracts, as described herein. Pursuant to Rule 416 under the Securities Act, this registration statement is deemed to have registered the shares of our common stock offered or issued as a result of such anti-dilution adjustments.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Registration Statement contains a prospectus relating to an offering of shares of our common stock (for purposes of this Explanatory Note, the Common Stock Prospectus), together with separate prospectus pages relating to an offering of our tangible equity units (for purposes of this Explanatory Note, the Units Prospectus). The complete Common Stock Prospectus follows immediately. Following the Common Stock Prospectus are the following alternative and additional pages for the Units Prospectus:

- front and back cover pages, which will replace the front and back cover pages of the Common Stock Prospectus;
- pages for the Prospectus Summary The Offering section, which will replace the Prospectus Summary The Offering section of the Common Stock Prospectus;
- pages for the Risk Factors Risks Related to Ownership of the Units, Separate Purchase Contracts, Separate Amortizing Notes and Common Stock section, which will replace the Risk Factors Risks Related to this Offering and Ownership of Our Common Stock section of the Common Stock Prospectus;
- pages for Ratio of Earnings to Fixed Charges and Preferred Stock Dividends section, which will be added to the Units Prospectus;
- pages for the Description of the Units , Description of the Purchase Contracts and Description of the Amortizing Notes sections, which will replace the Concurrent Transactions section of the Common Stock Prospectus;
- pages for the Book-Entry Procedures and Settlement section, which will be added to the Units Prospectus;
- pages for the Concurrent Transactions section, which will replace the Concurrent Transactions section of the Common Stock Prospectus;
- pages for the Certain U.S. Federal Income Tax Considerations section, which will replace the U.S. Federal Tax Considerations for Non-U.S. Holders section of the Common Stock Prospectus; and
- pages for the Underwriting section, which will replace the Underwriting section of the Common Stock Prospectus.

In addition, the references to common stock in Validity of Common Stock in the Common Stock Prospectus will be replaced with references to tangible equity units in the Units Prospectus.

Each of the complete Common Stock Prospectus and Units Prospectus will be filed with the Securities and Exchange Commission in accordance with Rule 424 under the Securities Act of 1933, as amended. The closing of the offering of common stock is conditioned upon the closing of the offering of Units, and the closing of the offering of Units is conditioned upon the closing of the offering of common stock.

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The information in this preliminary prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and the selling stockholder is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated October 5, 2012

PRELIMINARY PROSPECTUS

Shares

ALLY FINANCIAL INC.

COMMON STOCK

The United States Department of the Treasury (the selling stockholder or Treasury) is offering shares of common stock of Ally Financial Inc. (Ally). See Principal and Selling Stockholders. Ally Financial Inc. will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder.

This is our initial public offering and no public market exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share. We have applied to list the common stock on the New York Stock Exchange (the NYSE) under the symbol ALLY .

The selling stockholder has granted the underwriters the right to purchase up to additional shares of common stock to cover over-allotments, if any, at the public offering price, less the underwriters discount, within 30 days from the date of this prospectus.

Concurrently with this offering, Treasury is also making a public offering of tangible equity units issued by us (the Units). Treasury has granted the underwriters of that offering the right to purchase up to additional Units to cover over-allotments, if any, at the public offering price of the Units, less the underwriters discount for the Units, within 30 days from the date of the prospectus for the concurrent Units offering. The closing of the offering of Units is conditioned upon the closing of the offering of our common stock, and the closing of the offering of our common stock is conditioned upon the closing of the offering of Units.

Investing in our common stock involves risks. See Risk Factors beginning on page 19 of this prospectus.

	Per Share	Total
Public offering price and proceeds to the selling stockholder	$	$
Underwriting discounts and commissions(1)	$	$

(1) Ally has agreed to pay all underwriting discounts and commissions, transfer taxes and transaction fees, if any, applicable to the sale of the common stock and the fees and disbursement of counsel for the selling stockholder incurred in connection with the sale.

Neither the Securities and Exchange Commission nor any state securities regulators has approved or disapproved these securities, or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on or about , 2012.

Citigroup **Goldman, Sachs & Co.** **J.P. Morgan** **Morgan Stanley**

Barclays Capital **Deutsche Bank Securities**

The date of this prospectus is , 2012

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In this prospectus, unless the context indicates otherwise, Ally, the company, we, us and our refer to Ally Financial Inc. and its direct and indirect subsidiaries on a consolidated basis. None of us, the underwriters, or the selling stockholder have authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we nor the underwriters nor the selling stockholder take responsibility for, and can provide any assurance as to the reliability of, any other information that others may give you. The selling stockholder is offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

INDUSTRY AND MARKET DATA

We obtained the industry, market and competitive position data throughout this prospectus from our own internal estimates and research as well as from industry and general publications and research, surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, including the Risk Factors section and the consolidated financial statements and the notes to those statements, before making an investment decision.

Overview

Ally operates one of the world s largest automotive finance companies. We have over 90 years of experience supporting automotive dealers and their retail customers with a broad array of financial products and services. We also are a bank holding company in the United States. Our bank subsidiary, Ally Bank, is a leading competitor and well-recognized brand in the growing direct banking market. The bank provides us with a significant source of cost-efficient funding and had $42.7 billion of deposits at June 30, 2012. We had $178.6 billion of total assets at June 30, 2012 and $3.6 billion and $6.1 billion of total net revenue during the first six months of 2012 and fiscal year 2011, respectively.

We intend to extend our leading position as the largest automotive finance company in the United States by continuing to provide automotive dealers, retail consumers and our automotive manufacturing partners with consistent funding, competitive pricing, a comprehensive product suite and exceptional service reflecting our commitment to the automotive industry.

We also intend to continue to develop Ally Bank and its core brand to enhance the value proposition for its deposit customers and to efficiently support asset growth in our lending activities.

Our primary operations are conducted within Global Automotive Services and Mortgage. Ally Bank offers a full spectrum of deposit and checking products to its customers and provides us with stable and diversified funding.

Our Global Automotive Services

Our Global Automotive Services business is centered around our strong and longstanding relationships with automotive dealers and supports our automotive manufacturing partners and their marketing programs. We serve the financial needs of over 22,000 dealers worldwide and 6.0 million of their retail customers as of June 30, 2012. In the United States and Canada alone, we have approximately 2,100 automotive finance and insurance employees in five regions focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 1,900 employees that support our North American servicing operations. On May 14, 2012, we announced that we have determined to explore strategic alternatives for all of our international operations. These international operations include automotive finance, insurance, and banking and deposit operations that operate within our North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations operating segments.

Our Dealer-Focused Business Model

Ally s primary customers are automotive dealers, which are independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically originate loans and leases to their retail customers. Dealers then select Ally or another automotive finance provider to which they sell loans and leases.

Our longstanding success as an automotive finance provider is driven by the broad range and quality of products and services we offer to dealers. Our financial products offered to dealers and their customers include, among others, new vehicle retail loans and leases, used vehicle loans, floorplan loans, dealer capital and working

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capital loans, vehicle service contracts, wholesale inventory insurance and our SmartAuction service for remarketing vehicles. As of June 30, 2012, over 5,000 of our automotive dealer customers utilized four or more of our products.

Manufacturer Relationships

Within the United States, we are a preferred financing provider for a number of manufacturers including GM, Chrysler (including Fiat), Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors under contractual relationships. With our origination and servicing platform and competitive funding programs, we function as a strong and flexible partner that helps manufacturers fulfill their new vehicle marketing programs.

Our preferred financing relationships primarily relate to new retail loan incentive programs that support the manufacturers new vehicle marketing initiatives while allowing us to realize market based returns. Subvented loans, originated through our preferred financing relationships, represented 35% and 34% of our U.S. new retail loan and lease origination volume in the first six months of 2012 and fiscal year 2011, respectively, compared to 37% in 2010 and 49% in 2009. For non-incentivized retail loan originations, we successfully compete at the dealer-level based on our strong dealer relationships, competitive pricing, full suite of products and comprehensive service.

Our History in the Automotive Market and Who We Are Today

During our over 90-year history in the automotive finance business, we have developed extensive knowledge and experience in serving the financing needs of automotive dealers and their retail customers. Ally was formed in 1919 as the captive finance subsidiary of GM. In 2006, a majority ownership interest in Ally was sold to third parties. Since that sale, we have transformed into a market-driven independent automotive finance company. We continue to be a preferred financing provider to GM on incentivized retail loans and in 2009, we became the preferred financing provider to Chrysler of incentivized retail loans. In addition, within the United States we have developed preferred financing relationships with Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors under contractual agreements.

We became a bank holding company on December 24, 2008, under the Bank Holding Company Act and are subject to supervision and examination by the Board of Governors of the Federal Reserve System (the FRB). Our bank subsidiary, Ally Bank, is supervised by the Federal Deposit Insurance Corporation (the FDIC) and the Utah Department of Financial Institutions (the Utah DFI).

Our Global Automotive Services business is organized into three areas (the information below is as of June 30, 2012).

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North American Automotive Finance Operations

Our North American Automotive Finance Operations (NAO) consist of our automotive financing operations in the United States and Canada. According to Experian Automotive, we were the largest independent provider of new retail automotive loans in the United States during 2011. We funded one out of every ten new car purchases that were financed in the United States during 2011. We had total consumer originations in the United States and Canada of $43.8 billion in 2011 and $22.2 billion in the first six months of 2012. Our penetration rate of GM and Chrysler new car purchases in the United States and Canada in the first six months of 2012 was 32% and 26%, respectively. We financed an average of $30.2 billion of vehicle floorplan assets for our dealers, including 72% of GM s and 59% of Chrysler s total North American dealer new vehicle inventory, respectively, during the first six months of 2012.

We manage commercial account servicing for over 5,000 dealers in the United States that utilize our floorplan inventory lending or other commercial loans. In the United States and Canada, we provide consumer asset servicing for a $80.6 billion portfolio at June 30, 2012. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers. We provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions.

The following table sets forth our share of retail automotive loans for new purchases in the United States:

2nd Quarter 2012		1st Quarter 2012		4th Quarter 2011		3rd Quarter 2011		2nd Quarter 2011		1st Quarter 2011		Year ended December 31, 2011		2010		2009		2008	
%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
7.9%	1	8.0%	1	8.4%	1	9.2%	1	9.3%	1	13.5%	1	10.1%	1	9.9%	1	6.1%	3	5.8%	4

Source: Experian Automotive

The used vehicle financing market is significant in size and highly fragmented. We continue to increase our focus on used car financing, primarily through franchised dealers and certain national used vehicle dealers. According to Experian Automotive, over 14.5 million used vehicles were sold by franchised dealers in 2011. We believe that increased market share in this fragmented segment will further expand and support our dealer relationships and increase our volume of retail originations.

International Automotive Finance Operations

Our International Automotive Finance Operations (IO) primarily consists of entities that are under strategic review to be sold and non-core business activities including portfolios in run-off. These operations exist in Asia, Latin America and Europe.

Insurance Operations

Our Insurance operations offer both consumer insurance products sold primarily through dealers and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of products, we provide vehicle service contracts and maintenance coverages. We also underwrite selected commercial insurance coverages which primarily insure dealers wholesale vehicle inventory in the United States.

We believe our national insurance platform provides us with a competitive advantage, allowing us to design products tailored to our dealer customers, control underwriting and retain the profits generated by this business. We sell insurance products to approximately 4,000 dealers in the United States. Among U.S. GM dealers to

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whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 79%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits.

Mortgage

Our Mortgage operations consist of originating, purchasing, and selling conforming and government-insured residential mortgage loans in the United States. We also originate a small amount of high quality prime jumbo mortgage loans in the United States. Our Mortgage operations also consist of noncore business activities including portfolios in run-off and the wind-down of our warehouse lending business. Our Mortgage operations had $17.1 billion in assets at June 30, 2012.

In the first six months of 2012, we originated or purchased $14.5 billion of U.S. residential mortgage loans. Conforming and government-insured residential mortgage loans comprised 92.8% of our first six months of 2012 originations. Since the onset of the housing crisis, we have reduced our overall mortgage assets from $135.1 billion in 2006 to $17.1 billion at June 30, 2012, primarily through the run-off and divestiture of noncore businesses and assets, and the deconsolidation of Residential Capital, LLC (ResCap). ResCap and certain of its wholly-owned subsidiaries (collectively, the Debtors), filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York on May 14, 2012.

In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors and their direct and indirect subsidiaries) (collectively, AFI) reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan includes a proposed settlement (the Settlement) between AFI and the Debtors, which includes a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap related causes of action against AFI held by third parties.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. We believe that Ally Bank is well-positioned to continue to take advantage of the consumer-driven shift from branch banking to direct banking. We believe internet banking is now the preferred banking channel by consumers. According to a 2011 American Bankers Association survey, the number of bank customers who prefer to do their banking online increased from 21% to 62% between 2007 and 2011, while those who prefer branch banking has declined from 39% to 20% over the same period.

We have quickly become a leader in direct banking with our recognizable brand, accessible 24/7 customer service, and competitively priced deposit products. We have distinguished our direct bank with our Talk Straight, Do Right, Be Obviously Better branding and products that are Easy to Use with No Fine Print, Hidden Fees, Rules or Penalties . Recent introductions of retail banking products include interest-bearing checking accounts, electronic bill pay, remote deposit, and no-fee debit cards.

Ally Bank provides our automotive finance and mortgage operations with a stable and low-cost funding source. At June 30, 2012, Ally Bank had $42.7 billion of deposits including $30.4 billion of retail deposits. The growth of our retail deposit base from $7.2 billion at the end of 2008 to $30.4 billion at June 30, 2012 has enabled us to reduce our cost of funds during that period. We expect to continue to lower our cost of funds over time and diversify our overall funding as our deposit base grows. Over the past three years, we have grown our retail deposits even as we have reduced the cost of our deposits.

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The following chart shows the amount and type of Ally Bank s customer deposits and the average retail deposit rate as of the dates indicated:

Our Strengths

Automotive financial services category leader with full product suite.

We are one of the largest providers of retail and wholesale automotive financing in the United States and are an integral part of the automotive industry. We believe that our over 90-year history has provided us extensive knowledge of the automotive industry and the financial services needs of its dealers, automotive manufacturers, and retail consumers.

Our full suite of financing and insurance products and extensive on-site service relationships differentiate us from most of our competitors. As of June 30, 2012, over 5,000 of our automotive dealer customers utilized four or more of our products. We use incentive programs, such as our Ally Dealer Rewards program, to increase the volume of business and number of products used by our dealer customers. During the first six months of 2012 and fiscal year 2011, 69% and 70%, respectively, of our U.S. dealer customers received benefits under the Ally Dealer Rewards program, which was initiated in 2009.

Implementation of our market-driven strategies since 2008 has enabled us to grow our Global Automotive Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. Since 2008, within the United States we have successfully added preferred provider agreements, including Chrysler (including Fiat), Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors. Our strong relationships with manufacturers have allowed us to offer more products, expand our dealer base and strengthen our existing network of dealer relationships. We have increased our U.S. new non-GM retail originations from $663 million in 2006 to $10.4 billion in 2011 and from $4.9 billion in the first six months of 2011 to $5.8 billion in the first six months of 2012.

We believe that the combination of our full suite of products, service standards, incentive programs, and funding strategy put us in a strong position relative to competing financial institutions and future entrants to the market.

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Scalable platform with significant growth opportunities.

We are well-positioned for growth as the U.S. economy recovers and U.S. Seasonally Adjusted Annualized Rate (SAAR) of vehicle sales rebounds from its 2008-2009 recessionary levels. Consumer and business spending on automobiles has recovered from recent lows but remains well below historical average levels. The chart below shows historical consumer, business and government spending on automobiles as a percentage of U.S. GDP.

Source: Bureau of Economic Analysis, U.S. Department of Commerce

The chart below shows historical and projected U.S. SAAR (in millions):

Source: Bureau of Economic Analysis as to 2006-2011 data and Blue Chip Economic Indicators, Vol. 37, No. 8, as to projected 2012-2013 data and Vol. 37, No. 3 as to projected 2014 data.

In the United States and Canada, we have approximately 2,100 automotive finance and insurance employees dedicated to dealer sales, product support, lending and underwriting. This infrastructure allows us to accommodate our growing volume of business and support our existing customers. We maintain a dedicated sales force, which meets the needs of our existing dealer customers, expands our market penetration in the dealer network and supports our existing and new automotive manufacturing partners. Our sales force consists of direct dealer account relationship professionals, supplemental product support coverage professionals, and primary manufacturer relationship account professionals.

We also have invested significantly in our technology infrastructure and other initiatives to support our automotive financing and banking services platforms to further enhance our dealer and retail customer relationships and increase business volumes. This focus has resulted in increased credit application flow and originations from dealers representing various manufacturers, including GM and Chrysler. We are now able to access applications from almost all U.S. automotive dealerships under any brand. The combination of our extensive infrastructure, our relationships with finance and insurance departments of dealers, and our participation in the major credit application on-line networks, provides us with a strong platform to efficiently grow our consumer business volumes across a broad mix of automotive dealers.

In addition, we expect our incentive programs, such as Ally Dealer Rewards and other market-driven strategies, to increase business volumes and the number of products used by dealers. Other major initiatives underway such as dealer diversification strategies and additional preferred relationships with other manufacturers should increase our consumer retail, lease, and dealer funding volumes. The used vehicle financing market is highly fragmented and we believe this provides us with a growth opportunity within our franchised dealer relationships.

Leading direct banking franchise.

We believe Ally Bank is well-positioned for continued growth within the direct banking market. The Ally Bank brand has attained strong recognition since it was launched in 2009. Ally Bank provides us with a diversified source of stable, low-cost funding. The bank s assets primarily consist of high quality commercial and consumer automotive finance receivables and conforming and government-insured residential mortgage loans originated through our automotive and mortgage businesses, respectively. We believe there are opportunities to deliver other products to our growing banking customer base, in addition to our full suite of deposit, savings and checking products.

Strong balance sheet, liquidity position and risk management.

We believe that the consumer automotive loans on our balance sheet reflect the significantly tighter underwriting standards across the credit spectrum that we adopted since 2008. Our underwriting process utilizes a robust combination of credit metrics, including, among others, FICO scores, loan-to-value ratios, debt-to-income ratios and proprietary scoring models. The average FICO score at origination of the U.S. new retail loans in our outstanding portfolio as of June 30, 2012 was 713. We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During the first six months of 2012 and fiscal year 2011, the loss rate on our U.S. consumer automotive portfolio was 0.39% and 0.60%, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process, which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. During the first six months of 2012 and fiscal year 2011, the loss rate on our U.S. commercial automotive portfolio was 0.0% and 0.05%, respectively.

The loans originated in our mortgage operations are currently comprised primarily of high credit quality conforming, government-insured and prime jumbo residential mortgage loans. At June 30, 2012, we held reserves of $124 million for potential repurchase obligations for loans we sold to counterparties.

We have demonstrated strong access to funding and liquidity that are critical to our business. During the first six months of 2012 and fiscal year 2011, we raised $16.5 billion and over $38 billion of secured and

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unsecured funding in the capital markets, respectively. We also have significant liquidity available beyond capital markets funding with access to $39.3 billion of liquidity in the form of cash, highly liquid unencumbered securities, and available committed credit facility capacity at June 30, 2012.

Our access to deposits is an important source of diversified funding. Approximately 33% of our funding at the end of the first six months of 2012 came from deposits compared to 14% at the end of 2008. We believe Ally Bank gives us the stable, low-cost benefits of deposit funding with a direct-to-consumer delivery model. Ally Bank s leadership in direct banking, recognizable brand and compelling customer value proposition position us well for consistent growth.

Our balance sheet is well capitalized. At June 30, 2012, we had a Tier 1 capital ratio of 13.68%, and a Tier 1 common ratio of % pro forma for this offering. We believe this capitalization compares favorably to our peers and positions us well for the future.

Experienced management team.

Our senior management team is comprised of financial professionals with deep operating experience in automotive and consumer finance and extensive experience managing some of the largest and most successful financial institutions in the world. Our senior management team has successfully led us to consistent profitability in our core automotive finance operations and the development of our strong liquidity and capital position following the financial crisis. Our management team has taken significant actions to make our automotive finance business more efficient and better positioned for growth opportunities. Our capital structure and prudent liquidity actions by management have positioned us for growth as the automotive industry and overall economy continue to rebound.

Our Business Strategy

Expand our position as a leading provider of automotive financial services products in the United States.

We believe that our dealer-focused business model, full range of product offerings and sales organization position us to further broaden our relationships with existing and new dealers and automotive manufacturers, and to originate attractive retail automotive loans and leases for our portfolio in addition to other products. Our market-driven strategies, including incentive programs, have been designed and implemented to drive higher business volumes with our dealer relationships. Furthermore, we have dedicated resources to the underwriting and financing of used vehicle sales that should allow us to expand loan origination volume with our existing dealer base. We are also leveraging our existing dealer relationships, product suite, and extensive operating experience to expand our diversified dealer network and facilitate financing relationships with additional automotive manufacturers. We intend to continue to strongly support our financing relationships with GM and Chrysler by providing dependable new car inventory and consumer financing through all economic cycles. Our objective is to generate incremental profitability and asset growth without straying from our core competencies in automotive finance.

Reduce our funding costs and continue funding diversification.

We continue to expand and diversify our funding in order to improve our profitability and enhance our competitiveness. Our success at developing our franchise at Ally Bank has supported the growth of our retail deposit base to $30.4 billion at June 30, 2012 from $7.2 billion at the end of 2008. Our retail deposit growth has enabled us to diversify and reduce our cost of funds since 2008. Our strategy is to continue to increase our retail deposit base through the delivery of our full suite of deposit products and continued investment in the Ally Bank brand name.

Our objective is to attain investment grade credit ratings from the rating agencies. We believe that improved ratings will help us to reduce our cost of funds further and improve our ability to compete even more effectively with other large banks and financial institutions across all products. We believe that the stable performance of our asset base, strong capitalization, demonstrated access to diversified funding markets, and the ability to operate profitably will help us reach this goal over time.

By continuing to diversify our funding sources and lower our overall cost of funding, including the prudent growth of Ally Bank, we believe that we can provide even more efficient and consistent funding for our dealers and their retail customers through various economic cycles.

Maintain a strong balance sheet through disciplined origination, servicing and risk management.

We will continue to focus primarily on originating and managing secured automotive and related products. The types of secured commercial and consumer automotive loans that we originate performed well through the recent financial crisis. Our Mortgage operations originate conforming, government-insured residential and prime jumbo residential mortgage loans.

We believe that we maintain strong levels of capital and liquidity relative to other bank holding companies. Our strategy is to materially increase our volume of automotive finance assets within our existing infrastructure and with prudent underwriting criteria which we believe will allow us to efficiently utilize our capital and enhance our profitability.

Improve our shareholder return profile.

We seek to enhance our returns for shareholders by prudently originating loans and leases across the credit spectrum. We have also recently increased our focus on offering financing for used vehicles through our franchised dealer relationships. We have invested significant capital in risk management and technology to manage this expansion. By prudently expanding automotive originations across broad credit segments and with continued diversification, we believe we can increase asset yields and generate attractive risk-adjusted returns in a variety of interest rate and credit environments. We plan to continue to decrease our overall costs by increasing productivity, adding retail deposits, and efficiently accessing secured and unsecured wholesale markets as certain higher-cost legacy funding matures. The combination of higher asset yields and lower operating and funding costs with an efficient capital structure will provide opportunities for us to improve returns to our shareholders.

Our Challenges

Our business is subject to challenges described within the Risk Factors section and elsewhere in this Common Stock Prospectus. Some of these challenges include the following:

- We are subject to new capital planning and systemic risk regimes, which impose significant restrictions and requirements,

- The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM and Chrysler,

- The Bankruptcy Court may not approve the Settlement or the Plan, with regard to ResCap and certain of its wholly owned direct and indirect subsidiaries, and, even if the Settlement and Plan are approved, each may not be consummated if certain conditions are not met or if delays occur. If the Settlement and Plan are not approved and consummated, we will not be entitled to any release from claims of the Debtors or third parties,

- Our business requires substantial capital and liquidity, and disruption in our funding sources and access to the capital markets would have a material adverse effect on us,

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Our indebtedness and other obligations are significant and could materially and adversely affect our business, and

If we are unable to compete successfully or if there is increased competition in the markets we operate, our business could be negatively affected.

Corporate Information

Our principal executive offices are located at 200 Renaissance Center, P.O. Box 200, Detroit, Michigan 48265-2000 and our telephone number is (866) 710-4623. Our website is www.ally.com. Our website and the information included in, or linked to on, our website are not part of this prospectus. We have included our website address in this prospectus solely as a textual reference.

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THE OFFERING

Common stock offered by the selling stockholder	shares.
Common stock to be outstanding after this offering	shares (assuming no exercise of the underwriters over-allotment option and assuming that the public offering price of our common stock in this offering will be $ per share (the midpoint of the price range set forth on the cover of this prospectus) for purposes of calculating the number of shares we issue to Treasury in the conversion under Concurrent transactions below). This number of shares to be outstanding after this offering does not include any shares of our common stock that may be issued upon settlement of the purchase contracts that are components of the Units being offered concurrently with this offering, as described opposite the caption Concurrent transactions below.
Over-allotment option	shares from the selling stockholder to cover over-allotments.
Common stock listing	We have applied to list our common stock on the NYSE under the symbol ALLY.
Voting rights	One vote per share.
Use of proceeds	Ally will not receive any proceeds from sale of common stock in the offering.
Dividend policy	We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G preferred stock) prohibits us from making dividend payments on our common stock before January 1, 2014 and restricts our ability to pay dividends thereafter. In addition, so long as any share of our Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Series A preferred stock) remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock.
	In addition, any plans to commence payment of dividends on our common stock in the future would be subject to the FRB s review and absence of objection.
Concurrent transactions	Treasury currently holds 118,750,000 shares of our Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the Series F-2 preferred stock), having an aggregate liquidation amount

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of $5,937,500,000. In connection with this offering and the concurrent Units offering, Treasury intends (i) to convert (the conversion) 58,750,000 shares of Series F-2 preferred stock into shares of our common stock based on a conversion price equal to the public offering price of our common stock in this offering (the common stock public offering price), and (ii) to exchange (the exchange) the remaining 60,000,000 shares of Series F-2 preferred stock having an aggregate liquidation amount of $3 billion, for a number of our tangible equity units (the Units) having an aggregate stated amount of $3 billion.

The number of shares of common stock we intend to issue to Treasury in connection with the conversion will depend upon the common stock public offering price. The higher the common stock public offering price is, the fewer the number of shares of common stock Treasury will receive and the lower the common stock public offering price is, the greater the number of shares of common stock Treasury will receive. The following table sets forth the number of shares we will issue to Treasury in connection with the conversion for each common stock public offering price set forth below:

Public Offering Price	Number of Shares Issued to Treasury
$	
$	
$	
$	

In addition, we and Treasury intend to modify certain terms of the Series F-2 preferred stock relating to the anti-dilution provisions applicable to the common stock received by Treasury from its partial conversion of Series F-2 preferred stock in December 2010, so that Treasury will receive additional shares of our common stock in connection with the offering.

Treasury is offering in the concurrent Units offering a number of Units having an aggregate stated amount of $, *plus* up to an additional number of Units having an aggregate stated amount of $ to cover over-allotments, if any. Upon completion of the Units offering, Treasury will hold Units having an aggregate stated amount of $ (or $ if the underwriters for the Units offering exercise their over-allotment option in full). The Units that are retained by Treasury will be fungible with the Units being offered in the Units offering.

The closing of each of the Units offering, this offering, the conversion and the exchange is conditioned upon the closing of each such other transaction.

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Certain Accounting Treatment of Treasury s Conversion and Receipt of Additional Shares	In connection with Treasury s intention to convert shares of Series F-2 preferred stock it holds into common stock as part of this offering and at the common stock public offering price, Treasury will receive a number of shares of our common stock in excess of the amount it would have received pursuant to the stated conversion rate in the Series F-2 preferred stock. In addition, as stated above, Treasury will also receive additional shares of our common stock as a result of an agreed upon modification to the terms of the Series F-2 preferred stock. The value of these additional shares received by Treasury will be treated as a dividend or equivalent for financial reporting purposes. The issuance of these additional shares will be a one-time non-cash transaction, which will not affect the amount of our total equity. It will increase our accumulated deficit with an offsetting increase to common stock and paid-in capital, and the value of the non-cash dividend will reduce our net income attributable to common shareholders and therefore will substantially affect the calculation of earnings per share in the quarter in which this offering closes and the full year. Assuming that the public offering price of our common stock in this offering will be $ per share (the midpoint of the range set forth on the cover of this prospectus), net income attributable to common stock will be reduced by $ in the quarter in which this offering closes and earnings per share will be reduced by $ per share due to this one time, non-cash transaction.
Risk factors	See Risk Factors beginning on page 18 of this prospectus for a discussion of risks you should carefully consider before deciding whether to invest in our common stock.

Unless we specifically state otherwise, the information in this prospectus (i) does not take into account shares issuable under our equity compensation incentive plan and (ii) assumes for purposes of calculating the number of shares of common stock we will issue to Treasury in the conversion that the common stock public offering price will be $ per share (the midpoint of the price range set forth on the cover of this prospectus). All applicable share, per share and related information in this prospectus for periods on or subsequent to has been adjusted retroactively for the -for-one stock split on shares of our common stock effected on , 2012.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following summary consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheet data at December 31, 2011 and 2010 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2008 and 2007 and the consolidated balance sheet data at December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements not included in this prospectus. The condensed consolidated statement of income data for the six months ended June 30, 2012 and 2011 and the condensed consolidated balance sheet data at June 30, 2012 and 2011 are derived from, and qualified by reference to, our unaudited condensed consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those condensed consolidated financial statements and notes thereto. In our opinion, the unaudited financial statements provided herein have been prepared on substantially the same basis as the audited historical consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for the periods presented. Our results for the six months ended June 30, 2012 are not necessarily indicative of those to be expected for the fiscal year.

	At and for six months ended June 30,		At and for the year ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
				($ in millions)			
Financial statement data							
Statement of income data:							
Total financing revenue and other interest income	$ 4,812	$ 4,961	$ 9,736	$ 11,183	$ 12,772	$ 17,691	$ 21,459
Interest expense	2,750	3,253	6,223	6,666	7,091	10,266	13,421
Depreciation expense on operating lease assets	611	446	1,038	1,903	3,519	5,261	4,371
Impairment of investment in operating leases						1,192	
Net financing revenue	1,451	1,262	2,475	2,614	2,162	972	3,667
Total other revenue (a)	2,115	2,065	3,596	5,028	4,040	14,826	5,779
Total net revenue	3,566	3,327	6,071	7,642	6,202	15,798	9,446
Provision for loan losses	169	163	219	442	5,603	3,102	3,038
Total noninterest expense	3,880	2,874	5,785	6,061	7,508	7,983	7,881
(Loss) income from continuing operations before income tax expense (benefit)	(483)	290	67	1,139	(6,909)	4,713	(1,473)
Income tax expense (benefit) from continuing operations (b)	79	13	179	153	74	(150)	477
Net (loss) income from continuing operations	(562)	277	(112)	986	(6,983)	4,863	(1,950)
(Loss) income from discontinued operations, net of tax	(26)	(18)	(45)	89	(3,315)	(2,995)	(382)
Net (loss) income	$ (588)	$ 259	$ (157)	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)
				(in millions, except per share data)			
Net (loss) income attributable to common shareholders							
Net (loss) income from continuing operations	$ (562)	$ 277	$ (112)	$ 986	$ (6,983)	$ 4,863	$ (1,950)
Less: Preferred stock dividends U.S. Department of Treasury	(267)	(267)	534	963	855		
Less: Preferred stock dividends	(134)	(127)	260	282	370		192
Less: Impact of conversion of preferred stock and related amendment				616(c)			
Less: Impact of preferred stock amendment		32	(32)				
Net (loss) income from continuing operations attributable to common shareholders (a)	(963)	(85)	(874)	(875)	(8,208)	4,863	(2,142)

(Loss) income from discontinued operations, net of tax	(26)	(18)	(45)	89	(3,315)	(2,995)	(382)
Net (loss) income attributable to common shareholders	(989)	(103)	$ (919)	$ (786)	$ (11,523)	$ 1,868	$ (2,524)
Basic and diluted weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	800,597	529,392	108,884	101,331

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	At and for six months ended June 30, 2012	2011	At and for the year ended December 31, 2011	2010	2009	2008	2007
			(per share data in whole dollars)				
Basic and diluted earnings per common share (d)							
Net (loss) income from continuing operations	(723)	(64)	$ (658)	$ (1,092)	$ (15,503)	$ 44,661	$ (21,143)
(Loss) income from discontinued operations, net of tax	(20)	(14)	(33)	111	(6,262)	(27,509)	(3,768)
Net (loss) income	(743)	(78)	$ (691)	$ (981)	$ (21,765)	$ 17,152	$ (24,911)
Pro forma data (e)							
Basic and diluted earnings per common share							
Net (loss) income from continuing operations							
Income (loss) from discontinued operations, net of tax							
Net (loss) income							
Basic and diluted weighted-average common shares outstanding							

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	At and for six months ended June 30, 2012	2011	At and for the year ended December 31, 2011	2010	2009	2008	2007
	($ in millions)						
Non-GAAP financial measures (f):							
Net (loss) income	$ (588)	$ 259	$ (157)	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)
Add: Original issue discount amortization expense (g)	204	600	962	1,300	1,143	70	
Add: Income tax expense (benefit) from continuing operations	79	13	179	153	74	(150)	477
Less: Gain on extinguishment of debt related to the 2008 bond exchange						11,460	
Less: (Loss) income from discontinued operations, net of tax	(26)	(18)	(45)	89	(3,315)	(2,995)	(382)
Core pretax income (loss) (f)	$ (279)	$ 890	$ 1,029	$ 2,439	$ (5,766)	$ (6,677)	$ (1,473)
Selected balance sheet data (period end):							
Total assets	$ 178,560	$ 178,889	$ 184,059	$ 172,008	$ 172,306	$ 189,476	$ 248,939
Long-term debt	$ 91,096	$ 91,723	$ 92,794	$ 86,612	$ 88,021	$ 115,935	$ 159,342
Preferred stock/interests (d)	$ 6,940	$ 6,940	$ 6,940	$ 6,972	$ 12,180	$ 6,287	$ 1,052
Total equity	$ 18,363	$ 20,423	$ 19,371	$ 20,489	$ 20,839	$ 21,854	$ 15,565
Financial ratios							
Efficiency ratio (h)	108.81%	86.38%	95.29%	79.31%	121.06%	50.53%	83.43%
Core efficiency ratio (h)	102.92%	73.19%	82.26%	67.78%	102.22%	181.10%	83.43%
Return on assets (i)							
Net (loss) income from continuing operations	(0.61)%	0.32%	(0.06)%	0.56%	(3.93)%	2.57%	(0.78)%
Net (loss) income	(0.64)%	0.30%	(0.09)%	0.61%	(5.79)%	0.99%	(0.94)%
Core pretax (loss) income	(0.30)%	1.02%	0.57%	1.38%	(3.24)%	(3.52)%	(0.59)%
Return on equity (i)							
Net (loss) income from continuing operations	(5.92)%	2.74%	(0.56)%	4.76%	(28.79)%	22.25%	(12.53)%
Net (loss) income	(6.19)%	2.55%	(0.78)%	5.19%	(42.46)%	8.55%	(14.98)%
Core pretax (loss) income	(2.94)%	8.79%	5.10%	11.78%	(23.78)%	(30.55)%	(9.46)%
Equity to assets (i)	10.35%	11.59%	11.15%	11.72%	13.63%	11.53%	6.25%
Net interest spread (i)(j)	1.40%	1.10%	1.07%	1.26%	0.73%	(k)	(k)
Net interest spread excluding original issue discount (i)(j)	1.73%	2.00%	1.79%	2.32%	1.75%	(k)	(k)
Net yield on interest-earning assets (i)(l)	1.79%	1.65%	1.57%	1.81%	1.43%	(k)	(k)
Net yield on interest-earning assets excluding original issue discount (i)(l)	2.05%	2.38%	2.15%	2.65%	2.18%	(k)	(k)
Regulatory capital ratios							
Tier 1 capital (to risk-weighted assets) (m)	13.68%	14.65%	13.71%	15.00%	14.15%	(k)	(k)
Total risk-based capital (to risk-weighted assets) (n)	14.70%	15.87%	14.75%	16.36%	15.55%	(k)	(k)
Tier 1 leverage (to adjusted quarterly average assets) (o)	10.99%	12.47%	11.50%	13.05%	12.70%	(k)	(k)
Total equity	$ 18,363	$ 20,423	$ 19,371	$ 20,489	$ 20,839	(k)	(k)
Goodwill and certain other intangibles	(491)	(533)	(493)	(532)	(534)	(k)	(k)
Unrealized gains and other adjustments	(180)	(315)	(262)	(309)	(447)	(k)	(k)
Trust preferred securities	2,543	2,541	2,542	2,541	2,540	(k)	(k)
Tier 1 capital (m)	20,235	22,116	21,158	22,189	22,398	(k)	(k)
Preferred equity	(6,940)	(6,940)	(6,940)	(6,971)	(12,180)	(k)	(k)
Trust preferred securities	(2,543)	(2,541)	(2,542)	(2,541)	(2,540)	(k)	(k)
Tier 1 common capital (non-GAAP) (p)	$ 10,752	$ 12,635	$ 11,676	12,677	7,678	(k)	(k)
Risk-weighted assets (q)	$ 147,901	$ 151,000	$ 154,308	$ 147,964	$ 158,314	(k)	(k)
Tier 1 common (to risk-weighted assets) (p)	7.27%	8.37%	7.57%	8.57%	4.85%	(k)	(k)

(a) Total other revenue for 2008 includes $12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter.

(b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of $1.2 billion was established through income tax expense. Refer to Note 25 to the fiscal year Consolidated Financial Statements (the Consolidated Financial Statements) for additional information regarding our changes in tax status.

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(c) This amount relates to the conversion by Treasury of 110,000,000 shares of Series F-2 preferred stock into 531,850 shares of our common stock that occurred on December 30, 2010. Refer to Note 20 to the Consolidated Financial Statements for further detail.

(d) Effective June 30, 2009, we converted from a Delaware limited liability company into a Delaware corporation. Each unit of each class of common membership interest issued and outstanding immediately prior to the conversion was converted into an equivalent number of shares of common stock with substantially the same rights and preferences as the common membership interests. Upon conversion, holders of our preferred membership interests also received an equivalent number of shares of preferred stock with substantially the same rights and preferences as the former preferred membership interests.

(e) The pro forma financial information gives effect to this offering as if it has closed on January 1, 2010, and reflects (i) the receipt by Treasury of additional shares of common stock in connection with this offering, (ii) increased interest expense on the amortizing notes at an assumed interest rate of % (tax affected at the historical rates reflected in the financial statements for 2011) and (iii) the elimination of dividends of $ on the Series F-2 preferred stock being converted into common stock and exchanged for Units in this offering. The pro forma financial information does not reflect the value of the additional shares received by Treasury that will be treated as a one-time, non-cash dividend of $ in the quarter in which this offering closes and the related reduction of $ per share in earnings per share.

(f) Core pretax income (loss) is not a financial measure defined by generally accepted accounting principles in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income (loss) is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income (loss) is the primary measure that management uses to assess the performance of our operations. We believe that core pretax income (loss) is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.

(g) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange, including $50 million and $101 million of accelerated amortization that was reported as a loss on extinguishment of debt in the fiscal year 2011 and fiscal year 2010 Consolidated Statement of Income, respectively.

(h) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange. As a result of the bankruptcy filings, with regard to ResCap and certain of its wholly owned direct and indirect subsidiaries, total other noninterest expense for the six months ended June 30, 2012 was adversely affected.

(i) The 2012, 2011, 2010 and 2009 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies. The 2008 and 2007 ratios have been computed based on period-end total assets and period-end total equity at December 31, 2008 and 2007.

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

(k) Not applicable at December 31, 2008 and 2007, as we did not become a bank holding company until December 24, 2008.

(l) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

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(m) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP and purchase contracts (including the purchase contracts that are components of the Units being offered in the concurrent offering) less goodwill and other adjustments.

(n) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

(o) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

(p) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. However, the purchase contracts that are components of the Units being offered in the concurrent offering are not subtracted from Tier 1 capital to determine Tier 1 common. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.

(q) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

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RISK FACTORS

You should carefully consider the following risk factors that may affect our business, future operating results and financial condition, as well as the other information set forth in this prospectus before making a decision to invest in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our common stock would likely decline due to any of these risks, and you may lose all or part of your investment.

Risks Related to Regulation

Our business, financial condition, and results of operations could be adversely affected by regulations to which we are subject as a result of our bank holding company status.

We are a bank holding company under the Bank Holding Company Act of 1956 (BHC Act). Many of the regulatory requirements to which we are subject as a bank holding company were not previously applicable to us and have and will continue to require significant expense and devotion of resources to fully implement necessary policies and procedures to ensure compliance. Compliance with such laws and regulations involves substantial costs and may adversely affect our ability to operate profitably. Recent events, particularly in the financial and real estate markets, have resulted in bank regulatory agencies placing increased focus and scrutiny on participants in the financial services industry, including us. For a description of our regulatory requirements, see Business Certain Regulatory Matters .

Ally is subject to ongoing supervision, examination and regulation by the FRB, and Ally Bank by the FDIC and the Utah DFI, in each case, through regular examinations and other means that allow the regulators to gauge management s ability to identify, assess, and control risk in all areas of operations in a safe-and-sound manner and to ensure compliance with laws and regulations.

Ally is currently required by its banking supervisors to make improvements in areas such as board and senior management oversight, risk management, regulatory reporting, internal audit planning, capital adequacy process, stress testing, and Bank Secrecy Act / anti-money-laundering compliance, and to continue to reduce problem assets. Separately, Ally Bank is currently required by its banking supervisors to make improvements in areas such as compliance management and training, consumer protection monitoring, consumer complaint resolution, internal audit program and residential mortgage loan pricing, and fee monitoring. These requirements are judicially enforceable, and if we are unable to implement and maintain these required actions, plans, policies and procedures in a timely and effective manner and otherwise comply with the requirements outlined above, we could become subject to formal supervisory actions which could subject us to significant restrictions on our existing business or on our ability to develop any new business. Such forms of supervisory action could include, without limitation, written agreements, cease and desist orders, and consent orders and may, among other things, result in restrictions on our ability to pay dividends, requirements to increase capital, restrictions on our activities, the imposition of civil monetary penalties, and enforcement of such action through injunctions or restraining orders. We could also be required to dispose of certain assets and liabilities within a prescribed period. The terms of any such supervisory action could have a material adverse effect on our business, operating flexibility, financial condition, and results of operations.

Our ability to engage in certain activities may be adversely affected by our status as a bank holding company.

As a bank holding company, Ally s activities are generally limited to banking or to managing or controlling banks or to other activities deemed closely related to banking or otherwise permissible under the BHC Act and related regulations. Likewise, subject to certain exceptions, Ally is not permitted to acquire more than 5% of any class of voting shares of any nonaffiliated bank or bank holding company, directly or indirectly, or to acquire control of any other company, directly or indirectly (including by acquisition of 25% or more of a class of voting

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shares). Upon our bank holding company approval, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This grace period expired in December 2010. The FRB initially granted a one-year extension that expired in December 2011, and recently granted a second one-year extension that expires in December 2012. We will be permitted to apply to the FRB for one additional one-year extension. Certain of Ally s existing activities and investments, including most of our insurance activities and our SmartAuction vehicle remarketing services for third parties, are deemed impermissible under the BHC Act and must be terminated or disposed of by the expiration of this extension and any additional extensions. While some of these activities may be continued if Ally is able to convert to a financial holding company under the BHC Act, Ally may be unable to satisfy the requirements to enable it to convert to a financial holding company prior to that time, and activities, businesses, or investments that would be permissible for a financial holding company will need to be terminated or disposed of. The FRB may also decline to grant any additional requested extensions, and Ally may be obligated to terminate or dispose of any impermissible activities, businesses, or investments more quickly than anticipated or under terms that are unfavorable to us. Either situation could have a material adverse effect on our business, results of operations, and financial position.

As a bank holding company, our ability to expand into new business activities would require us to obtain the prior approval of the relevant banking supervisors. There can be no assurance that any required approval will be obtained or that we will be able to execute on any such plans in a timely manner or at all. If we are unable to obtain approval to expand into new business activities, our business, results of operations, and financial position may be materially adversely affected.

Our ability to execute our business strategy may be affected by regulatory considerations.

Our business strategy for Ally Bank, which is primarily focused on automotive lending and growth of our direct-channel deposit business, is subject to regulatory oversight from a safety and soundness perspective. If our banking supervisors raise concerns regarding any aspect of our business strategy for Ally Bank, we may be obliged to alter our strategy, which could include moving certain activities, such as certain types of lending, outside of Ally Bank to one of our nonbanking affiliates. Alternative funding sources outside of Ally Bank, such as asset securitization or financings in the capital markets, could be more expensive than funding through Ally Bank and could adversely effect our business prospects, results of operations and financial condition.

We are subject to new capital planning and systemic risk regimes, which impose significant restrictions and requirements.

As a bank holding company with $50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally s consolidated capital. The proposed capital action 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 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally s proposed capital action plan before Ally may take any proposed capital action covered by the new regime. Ally submitted its capital plan in January 2012, and on March 13, 2012, the FRB released its Comprehensive Capital Analysis and Review. The FRB objected to Ally s capital plan; however, the FRB did provide notice of non-objection to Ally s planned preferred dividends and interest on the trust preferred securities and subordinated debt. Ally submitted a revised capital plan on June 11, 2012, as required. It is unknown whether the FRB will accept Ally s revised plan as submitted or require further revisions.

In addition, in December 2011, the FRB proposed rules to implement certain provisions of the systemic risk regime under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). If adopted as proposed, among other provisions, the rules would require Ally to maintain a sufficient quantity of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures; limit Ally s aggregate exposure to any unaffiliated counterparty to 25% of Ally s capital

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and surplus; and potentially subject Ally to an early remediation regime that could limit the ability of Ally to pay dividends or expand its business if the FRB identified Ally as suffering from financial or management weaknesses. The systemic risk provisions, when implemented, could adversely affect our business prospects, results of operations, and financial condition.

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

Ally Bank continues to be a key part of our funding strategy, and we have increased our reliance on deposits as an alternative source of funding through Ally Bank. Ally Bank does not have a retail branch network, and it obtains its deposits through direct banking and brokered deposits which, at December 31, 2011, included $9.9 billion of brokered certificates of deposit that may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher interest rates. Our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions including the possible imposition of prior approval requirements, restrictions on deposit growth, or restrictions on our rates offered. In addition, perceptions of our financial strength, rates offered by third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact our ability to grow our deposit base. As we have established the Ally Bank brand and increased our retail deposit base over the past few years, we have reduced offered rates on new retail deposits. However, a strategy of continuing to offer reduced rates in the future could limit our ability to further grow or maintain deposits. Even if we are able to grow the deposit base of Ally Bank, our regulators may impose restrictions on our ability to use Ally Bank deposits as a source of funding for certain business activities potentially raising the cost of funding those activities without the use of Ally Bank deposits.

The FDIC has indicated that it expects Ally to diversify Ally Bank s overall funding and to focus on reducing Ally Bank s overall funding costs including the interest rates paid on Ally Bank deposits. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity Management, Funding, and Regulatory Capital Funding Strategy for additional information about these diversification activities. As stated above, over the past few years, we have reduced rates on retail deposits, as well as introduced new products, resulting in lower cost of funds for deposits. However, it is possible that further reductions of rates on retail deposits could limit Ally Bank s ability to grow or maintain deposits, which could have a material adverse impact on the funding and capital position of Ally.

The regulatory environment in which we operate could have a material adverse effect on our business and earnings.

Our domestic operations are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions relating to supervision and regulation by state and federal authorities. Such regulation and supervision are primarily for the benefit and protection of our customers, not for the benefit of investors in our securities, and could limit our discretion in operating our business. Noncompliance with applicable statutes, regulations, rules, or policies could result in the suspension or revocation of any license or registration at issue as well as the imposition of civil fines and criminal penalties.

Ally, Ally Bank, and many of our nonbank subsidiaries are heavily regulated by bank and other regulatory agencies at the federal and state levels. This regulatory oversight is established to protect depositors, the FDIC s Deposit Insurance Fund, and the banking system as a whole, not security holders. Changes to statutes, regulations, rules, or policies including the interpretation or implementation of statutes, regulations, rules, or policies could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer, limiting our ability to pursue acquisitions and increasing the ability of third parties to offer competing financial services and products.

Our operations are also heavily regulated in many jurisdictions outside the United States. For example, certain of our foreign subsidiaries operate either as a bank or a regulated finance company, and our insurance

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operations are subject to various requirements in the foreign markets in which we operate. The varying requirements of these jurisdictions may be inconsistent with U.S. rules and may materially adversely affect our business or limit necessary regulatory approvals, or if approvals are obtained, we may not be able to continue to comply with the terms of the approvals or applicable regulations. In addition, in many countries, the regulations applicable to the financial services industry are uncertain and evolving.

Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market with regard to the affected product and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted, or that we will not be prohibited by local laws or regulators from raising interest rates above certain desired levels, any of which could materially adversely affect our business, operating flexibility, financial condition, or results of operations.

Financial services legislative and regulatory reforms may have a significant impact on our business and results of operations.

The Dodd-Frank Act became law in July 2010. Portions of the Dodd-Frank Act were effective immediately, but many provisions will only be effective after the adoption of implementing regulations, which have been delayed in numerous cases. The Dodd-Frank Act, when fully implemented, will have material implications for Ally and the entire financial services industry. Among other things, it will or potentially could:

- result in Ally being subject to enhanced oversight and scrutiny as a result of being a bank holding company with $50 billion or more in consolidated assets;
- result in the appointment of the FDIC as receiver of Ally in an orderly liquidation proceeding if the Secretary of Treasury, upon recommendation of two-thirds of the FRB and the FDIC and in consultation with the President of the United States, finds Ally to be in default or danger of default;
- affect the levels of capital and liquidity with which Ally must operate and how it plans capital and liquidity levels;
- subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees to the FDIC;
- impact Ally s ability to invest in certain types of entities or engage in certain activities;
- impact a number of Ally s business and risk management strategies;
- restrict the revenue that Ally generates from certain businesses; and
- subject Ally to a new Consumer Financial Protection Bureau (CFPB), which has very broad rule-making and enforcement authorities.

As the Dodd-Frank Act requires that many studies be conducted and that hundreds of regulations be written in order to fully implement it, the full impact of this legislation on Ally, its business strategies, and financial performance cannot be known at this time and may not be known for a number of years. In addition, regulations may impact us differently in comparison to other more established financial institutions. However, these impacts are expected to be substantial and some of them are likely to adversely affect Ally and its financial performance. The extent to which Ally can adjust its strategies to offset such adverse impacts also is not knowable at this time.

Our business may be adversely affected upon our implementation of the revised capital requirements under the Basel III capital rules.

The Bank for International Settlements Basel Committee on Banking Supervision recently adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III), which when implemented in the

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United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III increases (i) the minimum Tier 1 common equity ratio from 2.0% to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7.0% and (ii) the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a nonrisk adjusted Tier 1 leverage ratio of 3% based on a measure of the total exposure rather than total assets and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules, when implemented, will also impose a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, mortgage servicing rights (MSRs), and deferred tax assets through timing differences, as well as a 10% cap on the amount of each of the three individual items that may be included in Tier 1 capital. In addition, under Basel III rules, after a 10-year phase-out period beginning in January 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions, trust preferred and other hybrid securities are phased out from Tier 1 capital in a three-year period starting January 2013. At June 30, 2012, Ally had $995 million of MSRs and $2.5 billion of trust preferred securities, which were included as Tier 1 capital. Ally currently has no other hybrid securities outstanding. The Basel III rules, when implemented, will impose limits on Ally s ability to meet its regulatory capital requirements through the use of MSRs, trust preferred securities, or other hybrid securities, if applicable. Pending final rules for Basel III and subsequent regulatory interpretation, there remains a degree of uncertainty on the full impact of Basel III. It is currently anticipated that U.S. banking regulators will propose regulations to implement Basel III in 2012.

If we or Ally Bank fail to satisfy regulatory capital requirements, we or Ally Bank may be subject to serious regulatory sanctions ranging in severity from being precluded from making acquisitions or engaging in new activities to becoming subject to informal or formal supervisory actions by the FRB and/or FDIC and, potentially, FDIC receivership of Ally Bank. If any of these were to occur, such actions could prevent us from successfully executing our business plan and have a material adverse effect on our business, results of operations, and financial position.

The actions of the FRB and international central banking authorities directly impact our cost of funds for lending, capital raising, and investment activities and may impact the value of financial instruments we hold. In addition, such changes in monetary policy may affect the credit quality of our customers. Changes in domestic and international monetary policy are beyond our control and difficult to predict.

Future consumer or mortgage legislation could harm our competitive position.

In addition to the recent enactment of the Dodd-Frank Act, various legislative bodies have also recently been considering altering the existing framework governing creditors rights and mortgage products including legislation that would result in or allow loan modifications of various sorts. Such legislation may change banking statutes and the operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business; limit or expand permissible activities; or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether new legislation will be enacted, and if enacted, the effect that it or any regulations would have on our activities, financial condition, or results of operations.

Ally and its subsidiaries are or may become involved from time to time in information-gathering requests, investigations, and proceedings by government and self-regulatory agencies which may lead to adverse consequences.

Ally and its subsidiaries, including Ally Bank, are or may become involved from time to time in information-gathering requests, reviews, investigations, and proceedings (both formal and informal) by government and self-regulatory agencies, including the FRB, FDIC, Utah DFI, CFPB, SEC, and the Federal Trade Commission regarding their respective operations. Such requests include subpoenas from each of the SEC and the U.S. Department of Justice, served on Ally Financial Inc. and GMAC Mortgage LLC, respectively. Beginning in December 2010 and continuing through 2011, a series of subpoenas were received from the SEC, seeking information about various aspects of the process surrounding securitizations of residential mortgages with which certain of our mortgage subsidiaries were involved as sponsor or servicer. The subpoena received from the U.S. Department of Justice includes a broad request for documentation and other information in connection with its investigation of potential fraud related to the origination and/or underwriting of mortgage loans. These subpoenas, or any other investigation or information-gathering request, may result in material adverse consequences including without limitation, adverse judgments, settlements, fines, penalties, injunctions, or other actions.

Our business, financial position, and results of operations could be adversely affected by the impact of affiliate transaction restrictions imposed in connection with certain financing transactions.

Certain transactions between Ally Bank and any of its nonbank affiliates, including but not limited to Ally Financial Inc. are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, covered transactions, including Ally Bank s extensions of credit to and asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Ally Bank s capital stock and surplus with respect to transactions with any individual affiliate, with an aggregate limit of 20% of Ally Bank s capital stock and surplus for all affiliates and all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions). Under the Dodd-Frank Act, among other changes to Sections 23A and 23B of the Federal Reserve Act, credit exposures resulting from derivatives transactions and securities lending and borrowing transactions will be treated as covered transactions. Furthermore, there is an attribution rule that provides that a transaction between Ally Bank and a third party must be treated as a transaction between Ally Bank and a nonbank affiliate to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, a nonbank affiliate of Ally Bank. Retail financing transactions by Ally Bank involving vehicles which are floorplan financed by Ally Financial Inc. are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Ally.

Historically, the FRB was authorized to exempt, in its discretion, transactions or relationships from the requirements of these rules if it found such exemptions to be in the public interest and consistent with the purposes of the rules. As a result of the Dodd-Frank Act, exemptions now may be granted by the FDIC if the FDIC and FRB jointly find that the exemption is in the public interest and consistent with the purposes of the rules, and the FDIC finds that the exemption does not present an unacceptable risk to the Deposit Insurance Fund. The FRB granted several such exemptions to Ally Bank in the past. However, the existing exemptions are subject to various conditions and, particularly in light of the statutory changes made by the Dodd-Frank Act, any requests for future exemptions may not be granted. Moreover, these limited exemptions generally do not encompass consumer leasing or used vehicle financing. Since there is no assurance that Ally Bank will be able to obtain future exemptions or waivers with respect to these restrictions, the ability to grow Ally Bank s business will be affected by the Affiliate Transaction Restrictions and the conditions set forth in the existing exemption letters.

Ally Financial Inc. may in the future require distributions from its subsidiaries.

We currently fund Ally Financial Inc. s obligations, including dividend payments to our preferred shareholders, and payments of interest and principal on our indebtedness, from cash generated by Ally Financial Inc. In the future, Ally Financial Inc. may not generate sufficient funds at the parent company level to fund its obligations. As such, it may require dividends, distributions, or other payments from its subsidiaries to fund its

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obligations. However, regulatory and other legal restrictions may limit the ability of Ally Financial Inc. s subsidiaries to transfer funds freely to Ally Financial Inc. In particular, many of Ally Financial Inc. s subsidiaries are subject to laws, regulations, and rules that authorize regulatory bodies to block or reduce the flow of funds to it or that prohibit such transfers entirely in certain circumstances. These laws, regulations, and rules may hinder Ally Financial Inc. s ability to access funds that it may need to make payments on its obligations in the future. Furthermore, as a bank holding company, Ally Financial Inc. may become subject to a prohibition or to limitations on its ability to pay dividends. The bank regulators have the authority and, under certain circumstances, the duty to prohibit or to limit payment of dividends by the banking organizations they supervise, including Ally Financial Inc. and its subsidiaries.

Current and future increases in FDIC insurance premiums, including the FDIC special assessment imposed on all FDIC-insured institutions, could decrease our earnings.

Beginning in 2008 and continuing through 2011, higher levels of bank failures have dramatically increased resolution costs of the FDIC and depleted the Deposit Insurance Fund (the DIF). In May 2009, the FDIC announced that it had voted to levy a special assessment on insured institutions in order to facilitate the rebuilding of the DIF. In September 2009, the FDIC voted to adopt an increase in the risk-based assessment rate effective beginning January 1, 2011, by three basis points. Further, the Dodd-Frank Act alters the calculation of an insured institution s deposit base for purposes of deposit insurance assessments and removes the upper limit for the reserve ratio designated by the FDIC each year. On February 7, 2011, the FDIC approved a final rule implementing these changes, which took effect on April 1, 2011. The FDIC will continue to assess the changes to the assessment rates at least annually. Future deposit premiums paid by Ally Bank depend on the level of the DIF and the magnitude and cost of future bank failures. Any increases in deposit insurance assessments could decrease our earnings.

Risks Related to Our Business

The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM and Chrysler.

GM, GM dealers, and GM-related employees compose a significant portion of our customer base, and our domestic and, in particular, our International Automotive Finance operations are highly dependent on GM production and sales volume. In 2011, 62% of our North American new vehicle dealer inventory financing and 66% of our North American new vehicle consumer automotive financing volume were for GM dealers and customers. In addition, 97% of our international new vehicle dealer inventory financing and 82% of our international new vehicle consumer automotive financing volume were for GM dealers and customers. Furthermore, we have an agreement with Chrysler related to automotive financing products and services for Chrysler dealers and customers pursuant to which we are the preferred provider of new wholesale financing for Chrysler dealer inventory and consumer financing for Chrysler customers. In 2011, 30% of our North American new vehicle dealer inventory financing and 28% of our North American new vehicle consumer automotive financing volume were for Chrysler dealers and customers.

Ally s agreements with GM and Chrysler regarding automotive financing products for their dealers and customers extend through December and April 2013. These agreements provide Ally with certain preferred provider benefits including limiting the use of other financing providers by GM and Chrysler in their incentive programs. The terms of the Ally agreement with GM changed after January 1, 2011, such that GM is now able to offer incrementally more incentive programs through third parties on a nonexclusive, side-by-side basis with Ally, provided that the pricing of the third parties meets certain requirements.

On October 1, 2010, GM acquired AmeriCredit Corp. (which GM subsequently renamed General Motors Financial Company, Inc.), an independent automotive finance company that focuses on providing leasing and subprime financing options. If GM were to direct substantially more business, including wholesale financing business, to its captive on noncommercial terms thus reducing its reliance on our services over time, it could have a material adverse effect on our profitability and financial condition. In addition, it is possible that GM or other automotive manufacturers could utilize other existing companies to support their financing needs including offering products or terms that we would not or could not offer, which could have a material adverse impact on our business and operations. Furthermore, other automotive manufacturers could expand or establish or acquire captive finance companies to support their financing needs thus reducing their need for our services.

A significant adverse change in GM s or Chrysler s business, including significant adverse changes in their respective liquidity position and access to the capital markets; the production or sale of GM or Chrysler vehicles; the quality or resale value of GM or Chrysler vehicles; the use of GM or Chrysler marketing incentives; GM s or Chrysler s relationships with its key suppliers; or GM s or Chrysler s relationship with the United Auto Workers and other labor unions and other factors impacting GM or Chrysler or their respective employees, could have a material adverse effect on our profitability and financial condition. In addition, growth in our International Automotive Finance operations is highly dependent on GM, and therefore any significant change to GM s international business or our relationship with GM may hinder our ability to expand internationally.

There is no assurance that the global automotive market or GM s and Chrysler s respective share of that market will not suffer downturns in the future, and any negative impact could in turn have a material adverse effect on our business, results of operations, and financial position.

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

Our liquidity and the long-term viability of Ally depend on many factors, including our ability to successfully raise capital and secure appropriate bank financing. We are currently required to maintain a Tier 1 leverage ratio of 15% at Ally Bank, which will require that Ally maintain substantial equity funds in Ally Bank and inject substantial additional equity funds into Ally Bank as Ally Bank s assets increase over time.

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding, it continues to remain a critical component of our capital structure and financing plans. At June 30, 2012, approximately $9.9 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2012, which includes $7.4 billion in principal amount of debt issued under the FDIC s Temporary Liquidity Guaranty Program, and approximately $2.3 billion and $5.8 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2013 and 2014, respectively. We also obtain short-term funding from the sale of floating rate demand notes, all of which the holders may elect to have redeemed at any time without restriction. At June 30, 2012, a total of $3.0 billion in principal amount of Demand Notes were outstanding. We also rely on secured funding. At June 30, 2012, approximately $6.8 billion of outstanding consolidated secured debt is scheduled to mature in 2012, approximately $16.8 billion is scheduled to mature in 2013, and approximately $12.8 billion is scheduled to mature in 2014. Furthermore, at June 30, 2012, approximately $7.1 billion in certificates of deposit at Ally Bank are scheduled to mature in 2012, which is not included in the 2012 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over these periods. The capital markets continue to be volatile, and Ally s access to the debt markets may be significantly reduced during periods of market stress. In addition, we will continue to have significant original issue discount amortization expenses (OID expense) in the near future, which will adversely affect our net income and resulting capital position. OID expense was $211 million in the first six months of 2012, and the remaining scheduled amortization of OID is $140 million, $266 million, and $193 million in 2012, 2013, and 2014, respectively.

As a result of the volatility in the markets and our current unsecured debt ratings, we have increased our reliance on various secured debt markets. Although market conditions have improved, there can be no assurances that this will continue. In addition, we continue to rely on our ability to borrow from other financial institutions, and many of our primary bank facilities are up for renewal on a yearly basis. Any weakness in market conditions and a tightening of credit availability could have a negative effect on our ability to refinance these facilities and increase the costs of bank funding. Ally and Ally Bank also continue to access the securitization markets. While markets have continued to stabilize following the 2008 liquidity crisis, there can be no assurances these sources of liquidity will remain available to us.

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

We have a significant amount of indebtedness. At December 31, 2011, we had approximately $101.6 billion in principal amount of indebtedness outstanding (including $53.0 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 57% of our total financing revenue and other interest income for the year ended December 31, 2011. In addition, during the twelve months ending December 31, 2011, we declared and paid preferred stock dividends of $794 million in the aggregate.

We have the ability to create additional unsecured indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

The worldwide financial services industry is highly competitive. If we are unable to compete successfully or if there is increased competition in the automotive financing, mortgage, and/or insurance markets or generally in the markets for securitizations or asset sales, our business could be negatively affected.

The markets for automotive and mortgage financing, banking, and insurance are highly competitive. The market for automotive financing has grown more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes during the 2008 economic downturn. More recently, competition for automotive financing has further intensified as a growing number of banks have become increasingly interested in automotive-finance assets, which has resulted in pressure on our net interest margins. For example, on April 1, 2011, TD Bank Group announced the closing of its acquisition of Chrysler Financial, which could enhance Chrysler Financial s ability to expand its product offerings and may result in increased competition. Our mortgage business and Ally Bank face significant competition from commercial banks, savings institutions, mortgage companies, and other financial institutions. Our insurance business faces significant competition from insurance carriers, reinsurers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much less reliant on securitization activities, unsecured debt, and other public markets. We face significant competition in most areas including product offerings, rates, pricing and fees, and customer service. If we are unable to compete effectively in the markets in which we operate, our profitability and financial condition could be negatively affected.

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The markets for asset and mortgage securitizations and whole-loan sales are competitive, and other issuers and originators could increase the amount of their issuances and sales. In addition, lenders and other investors within those markets often establish limits on their credit exposure to particular issuers, originators, and asset classes, or they may require higher returns to increase the amount of their exposure. Increased issuance by other participants in the market or decisions by investors to limit their credit exposure to (or to require a higher yield for) us or to automotive or mortgage securitizations or whole-loans could negatively affect our ability and that of our subsidiaries to price our securitizations and whole-loan sales at attractive rates. The result would be lower proceeds from these activities and lower profits for our subsidiaries and us.

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

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expenses, which represents management s best estimate of probable credit losses that have been incurred within the existing portfolio of loans, all as described in Note 1 to the Consolidated Financial Statements. The allowance, in the judgment of management, is established to reserve for estimated loan losses and risks inherent in the loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

Bank regulatory agencies periodically review our allowance for loan losses, as well as our methodology for calculating our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of additional loan charge-offs, based on judgments different than those of management. An increase in the allowance for loan losses results in a decrease in net income and capital and may have a material adverse effect on our capital, financial condition and results of operations.

The Bankruptcy Court may not approve the Settlement or the Plan, and, even if the Settlement and Plan are approved, each may not be consummated if certain conditions are not met or if delays occur. If the Settlement and Plan are not approved and consummated, we will not be entitled to any release from claims of the Debtors or third parties.

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors and their direct and indirect subsidiaries) (collectively, AFI) reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan includes a proposed settlement (the Settlement) between AFI and the Debtors, which includes a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap related causes of action against AFI held by third parties.

There can be no assurance that the Bankruptcy Court will approve the Settlement. In particular, the Bankruptcy Court may not approve the proposed release of all existing or potential ResCap related causes of action against AFI held by third parties. Even if the Settlement is approved, there can be no assurance that the conditions to effectiveness of the Settlement will be satisfied. These conditions include, among other things, that the Plan and the order that confirms the Plan (the Confirmation Order) must incorporate the terms and conditions of the Settlement.

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There can also be no assurance that the Bankruptcy Court will confirm the Plan, and, even if the Plan is confirmed, the consummation of the Plan is subject to several conditions, and there can be no assurance that the required conditions will be satisfied. The failure to do so could result in modifications to the Plan, or the pursuit of an alternative form of reorganization or liquidation. This could result in delay and significant expense, and any modifications to the Plan or other alternative may well be less favorable to AFI. Even if substantial elements of the Plan are confirmed by the Bankruptcy Court and all required conditions are satisfied, there could be significant litigation against AFI for any claims not released under the Plan.

The Debtors currently expect to sell their mortgage origination and servicing business and certain other mortgage-related assets under section 363 of the Bankruptcy Code, and not as part of the Plan as was previously contemplated. If these asset sales occur outside of the Plan, it could have an adverse impact on the likelihood that the Bankruptcy Court would confirm the Plan as submitted.

ResCap has obtained debtor-in-possession financing, including from AFI. The proceeds from the asset sales contemplated by the Debtors will be used to repay this financing. If the asset sales do not occur, or if there otherwise is an event of default under either of ResCap s debtor-in-possession financing facilities and the lenders thereto accelerated repayment, it is unlikely that the Plan would be consummated.

The Settlement currently contemplates that, if the Bankruptcy Court does not enter the Confirmation Order on or before October 31, 2012 or the effective date of the Plan does not occur on or before December 15, 2012, or entry of the Confirmation Order or the effective date of the Plan does not occur on such later date as the parties may agree upon, then the Plan and Settlement will terminate. In that event, subject to certain conditions, AFI will still be required to perform all of its obligations described above with respect to the Settlement, except that AFI will not make the $750 million cash contribution and will not be entitled to receive any releases from either the Debtors or any third party claimants. In addition, under certain circumstances, ResCap has the ability to terminate the Settlement and not seek confirmation of the Plan, in which case AFI would not be entitled to receive the releases. If AFI does not receive the releases described above, the Debtors and/or third party creditors are likely to assert substantial claims directly against AFI, which could have a material adverse impact on our results of operations, financial position or cash flows.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI s officers and directors, and any claims the Debtors propose to release under the Plan. On June 18, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner. On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the examiner s investigation. The investigation will include, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors propose to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. The examiner s preliminary estimate regarding the time necessary for the examiner to complete the examiner s investigation and related report is six months. As a result of the six month period established by the Bankruptcy Court, it is unlikely that the Bankruptcy Court will enter the Confirmation Order by the required deadlines described above. If the parties cannot agree on modifications to these deadlines, the Plan and the Settlement will terminate.

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We are exposed to consumer credit risk, which could adversely affect our profitability and financial condition.

We are subject to credit risk resulting from defaults in payment or performance by customers for our contracts and loans, as well as contracts and loans that are securitized and in which we retain a residual interest. For example, the continued decline in the domestic housing market and the increase in unemployment rates resulted in an increase in delinquency rates related to mortgage loans that ResCap and Ally Bank either hold or retain an interest in. Furthermore, a weak economic environment, high unemployment rates, and the continued deterioration of the housing market could exert pressure on our consumer automotive finance customers resulting in higher delinquencies, repossessions, and losses. There can be no assurances that our monitoring of our credit risk as it affects the value of these assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss-mitigation strategies are, or will be, sufficient to prevent a further adverse effect on our profitability and financial condition. In addition, we have begun to increase our used automobile and nonprime automobile financing (nonprime automobile financing). We define nonprime consumer automobile loans as those loans with a FICO score (or an equivalent score) at origination of less than 620. At June 30, 2012, the carrying value of our North American Automotive Finance Operations (NAO) nonprime consumer automobile loans before allowance for loan losses was $4.7 billion, or approximately 8.0% of our total NAO consumer automobile loans. Of these loans, $52 million were considered nonperforming as they had been placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. Our International Automotive Finance Operations (IO) also has exposure to loans of higher credit risk with similar characteristics to those of the nonprime loans held by NAO. However, the lack of a consistent external third-party provider of consumer credit score information (like FICO in the United States and Canada) across the international geographies where we operate requires us to use our own internally-developed credit scoring approach to create a similar international comparative. Based on this internal analysis we believe nonprime loans represent less than 10% of our total IO consumer automobile loans and of these loans, less than 5% were considered nonperforming. As we grow our automotive asset portfolio in nonprime automobile financing loans over time, our credit risk may increase. As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

General business and economic conditions may significantly and adversely affect our revenues, profitability, and financial condition.

Our business and earnings are sensitive to general business and economic conditions in the United States and in the markets in which we operate outside the United States. A downturn in economic conditions resulting in increased short and long term interest rates, inflation, fluctuations in the debt capital markets, unemployment rates, consumer and commercial bankruptcy filings, or a decline in the strength of national and local economies and other factors that negatively affect household incomes could decrease demand for our financing and mortgage products and increase mortgage and financing delinquency and losses on our customer and dealer financing operations. We have been negatively affected due to the significant stress in the residential real estate and related capital markets and, in particular, the lack of home price appreciation in many markets in which we lend. Further, a significant and sustained increase in fuel prices could lead to diminished new and used vehicle purchases and negatively affect our automotive finance business.

If the rate of inflation were to increase, or if the debt capital markets or the economies of the United States or our markets outside the United States were to weaken, or if home prices or new and used vehicle purchases experience declines, we could be significantly and adversely affected, and it could become more expensive for us to conduct our business. For example, business and economic conditions that negatively affect household incomes, housing prices, and consumer behavior related to our businesses could decrease (1) the demand for our mortgage loans and new and used vehicle financing and (2) the value of the collateral underlying our portfolio of held-for-investment mortgages and new and used vehicle loans and interests that continue to be held by us, thus further increasing the number of consumers who become delinquent or default on their loans. In addition, the rate of delinquencies, foreclosures, and losses on our loans (especially our nonprime mortgage loans) could be higher during more severe economic slowdowns.

Any sustained period of increased delinquencies, foreclosures, or losses could further harm our ability to sell our mortgage and new and used vehicle loans, the prices we receive for our mortgage and new and used vehicle loans, or the value of our portfolio of mortgage and new and used vehicle loans held-for-investment or interests from our securitizations, which could harm our revenues, profitability, and financial condition. Continued adverse business and economic conditions could affect demand for housing, new and used vehicles, the cost of construction, and other related factors that could harm the revenues and profitability of our business.

In addition, our business and earnings are significantly affected by the fiscal and monetary policies of the U.S. government and its agencies and similar governmental authorities in the markets in which we operate outside the United States. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States. The FRB s policies influence the new and used vehicle financing market and the size of the mortgage origination market, which significantly affects the earnings of our businesses and the earnings of our business capital activities. The FRB s policies also influence the yield on our interest earning assets and the cost of our interest-bearing liabilities. Changes in those policies are beyond our control and difficult to predict and could adversely affect our revenues, profitability, and financial condition.

The current debt crisis in Europe, the risk that certain countries may default on their sovereign debt, and recent rating agency actions with respect to European countries and the United States and the resulting impact on the financial markets, could have a material adverse impact on our business, results of operations and financial position.

The current crisis in Europe has created uncertainty with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations. Recently, rating agencies have lowered their ratings on several euro-zone countries. The continuation of the European debt crisis has adversely impacted financial markets and has created substantial volatility and uncertainty, and will likely continue to do so. Risks related to this have had, and are likely to continue to have, a negative impact on global economic activity and the financial markets. In addition, on August 5, 2011, Standard & Poor s Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA , and the outlook on its long-term rating is negative. The U.S. downgrade, any future downgrades, as well as the perceived creditworthiness of U.S. government-related obligations, could impact our ability to obtain, and the pricing with respect to, funding that is collateralized by affected instruments and obtained through the secured and unsecured markets. As these conditions persist, our business, results of operation, and financial position could be materially adversely affected.

Acts or threats of terrorism and political or military actions taken by the United States or other governments could adversely affect general economic or industry conditions.

Geopolitical conditions may affect our earnings. Acts or threats of terrorism and political or military actions taken by the United States or other governments in response to terrorism, or similar activity, could adversely affect general economic or industry conditions.

Treasury (or its designee) will continue to own a substantial interest in us following this offering, and its interests may differ from those of our other stockholders.

Immediately following this offering, and the concurrent transactions described under Concurrent Transactions, Treasury will own approximately % of our outstanding shares of common stock (% if the underwriters in the offering of common stock and the underwriters in the concurrent offering of Units exercise their over-allotment options in full), assuming the common stock public offering price is the midpoint of the price range set forth on the cover of this prospectus, and Treasury will own approximately % of the outstanding Units (% if the underwriters in the concurrent offering of Units exercise their over-allotment options in full).

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Pursuant to the Amended and Restated Governance Agreement dated May 21, 2009, as of the date hereof, Treasury also has the right to appoint six of the eleven members to our board of directors. As a result of this stock ownership interest and Treasury s right to appoint six directors to our board of directors, Treasury has the ability to exert control, through its power to vote for the election of our directors, over various matters. To the extent Treasury elects to exert such control over us, its interests (as a government entity) may differ from those of our other stockholders and it may influence, through its ability to vote for the election of our directors, matters including:

The selection, tenure and compensation of our management;

Our business strategy and product offerings;

Our relationship with our employees and other constituencies; and

Our financing activities, including the issuance of debt and equity securities.

In particular, Treasury may have a greater interest in promoting U.S. economic growth and jobs than our other stockholders. In the future we may also become subject to new and additional laws and government regulations regarding various aspects of our business as a result of participation in the TARP program and the U.S. government s ownership in our business. These regulations could make it more difficult for us to compete with other companies that are not subject to similar regulations.

The limitations on compensation imposed on us due to our participation in TARP, including the restrictions placed on our compensation by the Special Master for TARP Executive Compensation, may adversely affect our ability to retain and motivate our executives and employees.

Our performance is dependent on the talent and efforts of our management team and employees. As a result of our participation in TARP, the compensation of certain members of our management team and employees is subject to extensive restrictions under the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009 (the ARRA), which was signed into law on February 17, 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009 (the IFR). In addition, due to our level of participation in TARP, pursuant to ARRA and the IFR, the Office of the Special Master for TARP Executive Compensation has the authority to further regulate our compensation arrangements with certain of our executives and employees. In addition, we may become subject to further restrictions under any other future legislation or regulation limiting executive compensation. Many of the restrictions are not limited to our senior executives and affect other employees whose contributions to revenue and performance may be significant. These limitations may leave us unable to create a compensation structure that permits us to retain and motivate certain of our executives and employees or to attract new executives or employees, especially if we are competing against institutions that are not subject to the same restrictions. Any such inability could have a material and adverse effect on our business, financial condition, and results of operations.

Our borrowing costs and access to the unsecured debt capital markets depend significantly on our credit ratings.

The cost and availability of unsecured financing are materially affected by our short- and long-term credit ratings. Each of Standard & Poor s Rating Services; Moody s Investors Service, Inc.; Fitch, Inc.; and Dominion Bond Rating Service rates our debt. Our current ratings as assigned by each of the respective rating agencies are below investment grade, which negatively impacts our access to liquidity and increases our borrowing costs in the unsecured market. Ratings reflect the rating agencies opinions of our financial strength, operating performance, strategic position, and ability to meet our obligations. On February 2, 2012, Fitch downgraded our senior debt to BB- from BB and changed the outlook to negative. Future downgrades of our credit ratings would increase borrowing costs and further constrain our access to the unsecured debt markets and, as a result, would

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negatively affect our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing arrangements as well as impact elements of certain existing secured borrowing arrangements.

Agency ratings are not a recommendation to buy, sell, or hold any security and may be revised or withdrawn at any time by the issuing organization. Each agency s rating should be evaluated independently of any other agency s rating.

Our profitability and financial condition could be materially and adversely affected if the residual value of off-lease vehicles decrease in the future.

Our expectation of the residual value of a vehicle subject to an automotive lease contract is a critical element used to determine the amount of the lease payments under the contract at the time the customer enters into it. As a result, to the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and/or a loss on the lease transaction. General economic conditions, the supply of off-lease and other vehicles to be sold, new vehicle market prices, perceived vehicle quality, overall price and volatility of gasoline or diesel fuel, among other factors, heavily influence used vehicle prices and thus the actual residual value of off-lease vehicles. Consumer confidence levels and the strength of automotive manufacturers and dealers can also influence the used vehicle market. For example, during 2008, sharp declines in demand and used vehicle sale prices adversely affected our remarketing proceeds and financial results.

Vehicle brand images, consumer preference, and vehicle manufacturer marketing programs that influence new and used vehicle markets also influence lease residual values. In addition, our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and proceeds realized from the vehicle sales. While manufacturers, at times, may provide support for lease residual values including through residual support programs, this support does not in all cases entitle us to full reimbursement for the difference between the remarketing sales proceeds for off-lease vehicles and the residual value specified in the lease contract. Differences between the actual residual values realized on leased vehicles and our expectations of such values at contract inception could have a negative impact on our profitability and financial condition.

Significant indemnification payments or contract, lease, or loan repurchase activity of retail contracts or leases could harm our profitability and financial condition.

We have repurchase obligations in our capacity as servicer in securitizations and whole-loan sales. If a servicer breaches a representation, warranty, or servicing covenant with respect to an automotive receivable, the servicer may be required by the servicing provisions to repurchase that asset from the purchaser or otherwise compensate one or more classes of investors for losses caused by the breach. If the frequency at which repurchases of assets or other payments occurs increases substantially from its present rate, the result could be a material adverse effect on our financial condition, liquidity, and results of operations.

Our earnings may decrease because of decreases or increases in interest rates.

We are subject to risks from decreasing interest rates, particularly given the Federal Reserve s recent steps to keep interest rates low in an attempt to improve economic growth.

Rising interest rates could also have an adverse impact on our business as well. For example, rising interest rates:

- will increase our cost of funds;

- may reduce our consumer automotive financing volume by influencing customers to pay cash for, as opposed to financing, vehicle purchases or not to buy new vehicles;

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- may negatively impact our ability to remarket off-lease vehicles;

- generally reduce our residential mortgage loan production as borrowers become less likely to refinance and the costs associated with acquiring a new home become more expensive; and

- will generally reduce the value of mortgage and automotive financing loans and contracts and retained interests and fixed income securities held in our investment portfolio.

Throughout 2009 and 2010 the credit risk embedded in the balance sheet was reduced as a result of asset sales, asset markdowns, and a change in the mix of our loan assets as the legacy portfolios were replaced with assets underwritten to tighter credit standards. This reduction in risk has resulted in a mix of assets outstanding on the balance sheet as of June 30, 2012, with a lower yielding profile than the prior-year period. During this same period of time we experienced a significant decline in our consumer automotive operating lease portfolio that was realizing higher yields from remarketing gains due to historically high used vehicle prices. The combination of the above factors resulted in a decline in asset yields more than the decline in liability rates, and therefore the decline in the net interest spread on the balance sheet throughout 2010 and into 2011.

Our hedging strategies may not be successful in mitigating our risks associated with changes in interest rates and could affect our profitability and financial condition as could our failure to comply with hedge accounting principles and interpretations.

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

In addition, hedge accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) requires the application of significant subjective judgments to a body of accounting concepts that is complex and for which the interpretations have continued to evolve within the accounting profession and among the standard-setting bodies.

A failure of or interruption in, as well as, security risks of the communications and information systems on which we rely to conduct our business could adversely affect our revenues and profitability.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption of our information systems or the third-party information systems on which we rely as a result of inadequate or failed processes or systems, human errors, or external events could cause underwriting or other delays and could result in fewer applications being received, slower processing of applications, and reduced efficiency in servicing. In addition, our communication and information systems may present security risks, and could be susceptible to hacking or identity theft. The occurrence of any of these events could have a material adverse effect on our business.

We use estimates and assumptions in determining the fair value of certain of our assets in determining lease residual values and in determining our reserves for insurance losses and loss adjustment expenses. If our estimates or assumptions prove to be incorrect, our cash flow, profitability, financial condition, and business prospects could be materially and adversely affected.

We use estimates and various assumptions in determining the fair value of many of our assets, including certain held-for-investment and held-for-sale loans for which we elected fair value accounting, retained interests from securitizations of loans and contracts, MSRs, and other investments, which do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of leased vehicles. In addition, we use estimates and assumptions in determining our reserves for insurance losses and loss adjustment expenses which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. For further discussion related to estimates and assumptions, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates. It is difficult to determine the accuracy of our estimates and assumptions, and our actual experience may differ materially from these estimates and assumptions. A material difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects.

Our business outside the United States exposes us to additional risks that may cause our revenues and profitability to decline.

We conduct a significant portion of our business outside the United States exposing us to risks such as the following:

- multiple foreign regulatory requirements that are subject to change;
- differing local product preferences and product requirements;
- fluctuations in foreign interest rates;
- difficulty in establishing, staffing, and managing foreign operations;
- differing labor regulations;
- consequences from changes in tax laws;
- restrictions on our ability to repatriate profits or transfer cash into or out of foreign countries; and
- political and economic instability, natural calamities, war, and terrorism.

The effects of these risks may, individually or in the aggregate, adversely affect our revenues and profitability.

Our business could be adversely affected by changes in foreign-currency exchange rates.

We are exposed to risks related to the effects of changes in foreign-currency exchange rates. Changes in currency exchange rates can have a significant impact on our earnings from international operations as a result of foreign-currency-translation adjustments. While we carefully monitor and attempt to manage our exposure to fluctuation in currency exchange rates through foreign-currency hedging activities, these types of changes could have a material adverse effect on our business, results of operations, and financial condition.

Fluctuations in valuation of investment securities or significant fluctuations in investment market prices could negatively affect revenues.

Investment market prices in general are subject to fluctuation. Consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value and could negatively affect our revenues. Additionally, negative fluctuations in the value of available-for-sale investment securities could result in unrealized losses recorded in equity. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments, national and international events, and general market conditions.

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A loss of contractual servicing rights could have a material adverse effect on our financial condition, liquidity, and results of operations.

We are the servicer for all of the receivables we have acquired or originated and transferred to other parties in securitizations and whole-loan sales of automotive receivables. Our mortgage subsidiaries service the mortgage loans we have securitized, and we service the majority of the mortgage loans we have sold in whole-loan sales. In each case, we are paid a fee for our services, which fees in the aggregate constitute a substantial revenue stream for us. In each case, we are subject to the risk of termination under the circumstances specified in the applicable servicing provisions.

In most securitizations and whole-loan sales, the owner of the receivables or mortgage loans will be entitled to declare a servicer default and terminate the servicer upon the occurrence of specified events. These events typically include a bankruptcy of the servicer, a material failure by the servicer to perform its obligations, and a failure by the servicer to turn over funds on the required basis. The termination of these servicing rights, were it to occur, could have a material adverse effect on our financial condition, liquidity, and results of operations and those of our mortgage subsidiaries.

Changes in accounting standards issued by the Financial Accounting Standards Board (FASB) could adversely affect our reported revenues, profitability, and financial condition.

Our financial statements are subject to the application of GAAP, which are periodically revised and/or expanded. The application of accounting principles is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the FASB and the SEC, banking regulators, and our independent registered public accounting firm. Those changes could adversely affect our reported revenues, profitability, or financial condition.

Recently, the FASB has proposed new financial accounting standards, and has many active projects underway, that could materially affect our reported revenues, profitability, or financial condition. These proposed standards or projects include the potential for significant changes in the accounting for financial instruments (including loans, deposits, and debt) and the accounting for leases, among others. It is possible that any changes, if enacted, could adversely affect our reported revenues, profitability, or financial condition.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to different counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty.

Our inability to maintain relationships with dealers could have an adverse effect on our business, results of operations, and financial condition.

Our business depends on the continuation of our relationships with our customers, particularly the automotive dealers with whom we do business. If we are not able to maintain existing relationships with key automotive dealers or if we are not able to develop new relationships for any reason, including if we are not able to provide services on a timely basis or offer products that meet the needs of the dealers, our business, results of operations, and financial condition could be adversely affected.

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Adverse economic conditions or changes in laws in states in which we have customer concentrations may negatively affect our operating results and financial condition.

We are exposed to consumer loan portfolio concentration in California and Texas and consumer mortgage loan concentration in California, Florida, and Michigan. Factors adversely affecting the economies and applicable laws in these states could have an adverse effect on our business, results of operations and financial position.

Risks Related to this Offering and Ownership of Our Common Stock

The sale or availability for sale of substantial amounts of our common stock could cause our common stock price to decline or impair our ability to raise capital.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that large sales could occur, or the settlement of the purchase contracts that are components of the Units being offered in the concurrent offering or the perception that settlement could occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of equity and equity-related securities. Upon completion of this offering, there will be shares of common stock issued and outstanding, assuming the common stock public offering price is the midpoint of the price range set forth on the cover of this prospectus.

Of the outstanding shares of common stock, the shares of common stock to be sold in this offering (shares if the underwriters in this offering exercise their over-allotment option in full) will be freely tradable without restriction or further registration under the Securities Act, unless those shares are held by any of our affiliates, as that term is defined under Rule 144 of the Securities Act. Following the expiration of any applicable lock-up periods referred to in the section of this prospectus entitled Shares Eligible for Future Sale, the remaining outstanding shares of common stock may be eligible for resale under Rule 144 under the Securities Act subject to applicable restrictions under Rule 144. In addition, pursuant to Exhibit A of the Bylaws of Ally Financial Inc. (the Registration Rights Agreement), we have granted our existing common stockholders the right to require us in certain circumstances to file registration statements under the Securities Act covering additional resales of our common stock held by them and the right to participate in other registered offerings in certain circumstances. As restrictions on resale end or if these stockholders exercise their registration rights or otherwise sell their shares, the market price of our common stock could decline.

In particular, following this offering, Treasury or GMAC Common Equity Trust I might sell a large number of the shares of our common stock that they hold. Such sales of a substantial number of shares of our common stock could adversely affect the market price of our common stock.

The number of shares of our common stock Treasury will receive upon conversion of our Series F-2 preferred stock will depend upon the public offering price of the common stock in this offering.

Treasury currently holds 118,750,000 shares of our Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the Series F-2 preferred stock), having an aggregate liquidation amount of $5,937,500,000. In connection with this offering and the concurrent Units offering, Treasury intends to convert 58,750,000 shares of Series F-2 preferred stock into shares of our common stock based on a conversion price equal to the common stock public offering price, which, based on the midpoint of the price range set forth on the cover of this prospectus, would result in the conversion of the Series F-2 preferred stock into shares of common stock. See Concurrent Transactions.

Accordingly, the number of shares of our common stock we will issue to Treasury in connection with the conversion will depend upon the common stock public offering price. For example, if the common stock public offering price is $ (the midpoint of the price range set forth on the cover of this prospectus), then we will

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issue shares of our common stock to Treasury upon conversion. By contrast, if the common stock public offering price were to increase by $1.00, then we will issue shares of our common stock to Treasury upon conversion and if the common stock public offering price were to decrease by $1.00, then we will issue shares of our common stock to Treasury upon conversion.

We have no current plans to pay dividends on our common stock, and our ability to pay dividends on our common stock may be limited.

We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Series G preferred stock prohibits us from making dividend payments on our common stock before January 1, 2014 and allows dividend payments thereafter only if 1) our senior guaranteed notes issued on December 31, 2008 are rated investment grade and 2) the payment, together with other dividend payments we made since December 31, 2008, is less than 25% of the excess of our cumulative consolidated net income from January 1, 2014 to the most recently ended fiscal quarter for which financial statements are available at the time of such dividend payment. In addition, so long as any share of our Series A preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock.

Any indentures and other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing agreements in the future restrict our ability to pay dividends in cash on our common stock, we may be unable to pay dividends in cash on our common stock unless we can refinance the amounts outstanding under those agreements.

In addition, under Delaware law, our Board of Directors may declare dividends on our capital stock only to the extent of our statutory surplus (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay cash dividends on our common stock, we may not have sufficient cash to pay dividends in cash on our common stock.

Any plans to commence payment of dividends on our common stock in the future would be subject to the FRB s review and absence of objection. *See* Business Certain Regulatory Matters Bank Holding Company Status . There is no assurance that, upon the FRB s review of our future capital plans, we would be permitted to make any planned payments of dividends on our common stock.

Anti-takeover provisions contained in our organizational documents and Delaware law could delay or prevent a takeover attempt or change in control of our company, which could adversely affect the price of our common stock.

Our amended and restated certificate of incorporation, our amended and restated bylaws, and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board of Directors. Our organizational documents include provisions:

- Limiting the liability of our directors, and providing indemnification to our directors and officers; and

- Limiting the ability of our stockholders to call and bring business before special meetings.

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

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

Any provision of our Certificate of Incorporation or our Bylaws or Delaware law that has the effect of delaying or deterring a hostile takeover or change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

See Description of Capital Stock for a further discussion of these provisions.

Because there has not been any public market for our common stock, the market price and trading volume of our common stock may be volatile.

You should consider an investment in our common stock to be risky and you should invest in our common stock only if you can withstand a significant loss and wide fluctuations in the market value of your investment. The price of our common stock after the closing of this offering may fluctuate widely, depending upon many factors, including, but not limited to:

- the perceived prospects for the auto finance and mortgage industries in general or for our company;
- differences between our actual financial and operating results and those expected by investors;
- changes in the share price of public companies with which we compete;
- news about our new products or services, enhancements, significant contracts, acquisitions or strategic investments;
- changes in our capital structure, such as future issuances of securities, repurchases of our common stock or our incurrence of debt;
- changes in general economic or market conditions;
- broad market fluctuations;
- regulatory actions or changes in applicable laws, rules or regulations;
- unfavorable or lack of published research by securities or industry analysts; and
- departure of key personnel.

In addition, the market price of our common stock is likely to be influenced by the purchase contracts that are components of the Units being offered in the concurrent offering. For example, the market price of our common stock could become more volatile and could be depressed by investors anticipation of the potential resale in the market of a substantial number of additional shares of our common stock, including shares of common stock received upon settlement of the purchase contracts that are components of the Units being offered in the concurrent offering, possible sales of our common stock by investors who view the Units as a more attractive means of equity participation in us than owning shares of our common stock; and hedging or arbitrage trading activity that may develop involving the Units and our common stock.

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Our common stock may trade at prices significantly below the initial public offering price. In addition, when the market price of a company s common equity drops significantly, stockholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

Treasury, which is the selling stockholder, is a federal agency and your ability to bring a claim against Treasury under the federal securities laws may be limited.

The doctrine of sovereign immunity, as limited by the Federal Tort Claims Act (the FTCA), provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. The FTCA bars claims for fraud or misrepresentation. At least one federal court, in a case involving a federal agency, has held that the United States may assert its sovereign immunity to claims brought under the federal securities laws. In addition, Treasury and its officers, agents, and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Exchange Act by virtue of Section 3(c) thereof. The underwriters are not claiming to be agents of Treasury in this offering. Accordingly, any attempt to assert such a claim against the officers, agents or employees of Treasury for a violation of the Securities Act of 1933, as amended (the Securities Act) or the Exchange Act resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part or resulting from any other act or omission in connection with the offering of the common stock by Treasury would likely be barred.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and in other sections of this prospectus that may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words expect, anticipate, estimate, forecast, initiative, objective, plan, project, outlook, priorities, target, intend, evaluate, pursue, seek, may, would, could, should, believe, potential, c of these words or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this prospectus, including those under the caption Risk Factors. Forward-looking statements apply only as of the date they are made, and Ally undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward looking statement is made. Factors that could cause our actual results to be materially different from our expectations include, among others, the risk factors set forth herein under the caption Risk Factors, and the following:

- Maintaining the mutually beneficial relationship between the company and GM, and the company and Chrysler;
- The profitability and financial condition of GM and Chrysler;
- Bankruptcy court approval of the plan and settlement related to the bankruptcy filings by ResCap and certain of its subsidiaries;
- Our ability to realize the anticipated benefits associated with being a bank holding company, and the increased regulation and restrictions that we are now subject to;
- The potential for deterioration in the residual value of off-lease vehicles;
- Disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity;
- Changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- Changes in the credit ratings of Ally, Chrysler, or GM;
- Changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and
- Changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations (including as a result of the Dodd-Frank Act and Basel III).

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USE OF PROCEEDS

The selling stockholder is selling all of the shares of common stock in this offering and Ally will not receive any proceeds from the sale of the shares.

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DIVIDEND POLICY

We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Series G preferred stock prohibits us from making dividend payments on our common stock before January 1, 2014 and allows dividend payments thereafter only if (1) our senior guaranteed notes issued on December 31, 2008 are rated investment grade and (2) the payment, together with other dividend payments we made since December 31, 2008, is less than 25% of the excess of our cumulative consolidated net income from January 1, 2014 to the most recently ended fiscal quarter for which financial statements are available at the time of such dividend payment. In addition, so long as any share of our Series A preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock.

Any plans to commence payment of dividends on our common stock in the future would, as announced by the FRB on March 18, 2011, with respect to the completion of its Comprehensive Capital Analysis and Review of the capital plans of the nineteen largest U.S. bank holding companies, including Ally, be subject to the FRB s review and absence of objection. *See* Business Certain Regulatory Matters Bank Holding Company Status .

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012, actual and pro forma to reflect:

- the concurrent conversion and exchange by Treasury of our Series F-2 preferred stock and the concurrent offering by Treasury of our Units (assuming no exercise by the underwriters of that offering of their over-allotment option and that the public offering price of our common stock in this offering will be $ per share (the midpoint of the price range set forth on the cover of this prospectus) for purposes of calculating the number of shares we issue to Treasury in the conversion), in each case as described under Concurrent Transactions, and

- the -for-one stock split on shares of our common stock effected on , 2012.

This table should be read in conjunction with Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto appearing elsewhere in this prospectus.

	As of June 30, 2012	
	Actual	Pro forma
	($ in millions)	
Cash and cash equivalents	$ 16,126	$
Short-term borrowings	6,010	
Long-term debt (1)	91,096	
Series A preferred stock, 1,021,764 shares issued and outstanding, actual and pro forma	1,021	
Series F-2 preferred stock, 118,750,000 shares issued and outstanding, actual and 0 shares issued and outstanding, pro forma (2)	5,685	
Series G preferred stock, 2,576,601 shares issued and outstanding, actual and pro forma	234	
Tangible Equity Units, 0 units issued and outstanding, actual and units issued and outstanding, pro forma	0	
Common stock, $0.01 par value per share, 1,330,970 shares issued and outstanding, actual, shares issued and outstanding pro forma and additional paid-in capital (2)	19,668	
Accumulated deficit (2)	(8,313)	
Accumulated other comprehensive income	68	
Total equity (2)	18,363	
Total capitalization	$ 115,469	$

(1) The amortizing notes which are a component of the Units are included in pro forma long-term debt.

(2) In connection with this offering and the concurrent Units offering, Treasury intends to convert (the conversion) 58,750,000 shares of Series F-2 preferred stock it holds into shares of our common stock based on a conversion price equal to the common stock public offering price.

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Because the conversion price in the conversion is based on the common stock public offering price, the number of shares of common stock we will issue to Treasury in connection with the conversion will depend on the common stock public offering price. The higher the common stock public offering price is, the fewer the number of shares of common stock Treasury will receive and the lower the common stock public offering price is, the greater the number of shares of common stock Treasury will receive. The following table sets forth the number of shares we will issue to Treasury in connection with the conversion for each common stock public offering price set forth below:

Public Offering Price	Number of Shares Issued to Treasury
$	
$	
$	
$	

In addition, we and Treasury intend to modify certain terms of the Series F-2 preferred stock so that Treasury will receive additional shares of our common stock in connection with the offering.

The issuance of these additional shares will be a one-time non-cash transaction, which will not affect the amount of our total equity. It will increase our accumulated deficit with an offsetting increase to common stock and paid-in capital, and the value of the non-cash dividend will reduce our net income attributable to common shareholders and therefore will substantially affect the calculation of earnings per share in the quarter in which this offering closes and the full year.

Assuming that the public offering price of our common stock in this offering will be $ per share (the midpoint of the range set forth on the cover of this prospectus), net income attributable to common stock will be reduced by $ in the quarter in which this offering closes and earnings per share will be reduced by $ per share due to this one time, non-cash transaction.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheet data at December 31, 2011 and 2010 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2008 and 2007 and the consolidated balance sheet data at December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements not included in this prospectus. The condensed consolidated statement of income data for the six months ended June 30, 2012 and 2011 and the condensed consolidated balance sheet data at June 30, 2012 and 2011 are derived from, and qualified by reference to, our unaudited condensed consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those condensed consolidated financial statements and notes thereto. In our opinion, the unaudited financial statements provided herein have been prepared on substantially the same basis as the audited historical consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for the periods presented. Our results for the six months ended June 30, 2012 are not necessarily indicative of those to be expected for the fiscal year.

	At and for six months ended June 30, 2012	2011	At and for the year ended December 31, 2011	2010	2009	2008	2007
	($ in millions)						
Financial statement data							
Statement of income data:							
Total financing revenue and other interest income	$ 4,812	$ 4,961	$ 9,736	$ 11,183	$ 12,772	$ 17,691	$ 21,459
Interest expense	2,750	3,253	6,223	6,666	7,091	10,266	13,421
Depreciation expense on operating lease assets	611	446	1,038	1,903	3,519	5,261	4,371
Impairment of investment in operating leases						1,192	
Net financing revenue	1,451	1,262	2,475	2,614	2,162	972	3,667
Total other revenue (a)	2,115	2,065	3,596	5,028	4,040	14,826	5,779
Total net revenue	3,566	3,327	6,071	7,642	6,202	15,798	9,446
Provision for loan losses	169	163	219	442	5,603	3,102	3,038
Total noninterest expense	3,880	2,874	5,785	6,061	7,508	7,983	7,881
(Loss) income from continuing operations before income tax expense (benefit)	(483)	290	67	1,139	(6,909)	4,713	(1,473)
Income tax expense (benefit) from continuing operations (b)	79	13	179	153	74	(150)	477
Net (loss) income from continuing operations	(562)	277	(112)	986	(6,983)	4,863	(1,950)
(Loss) income from discontinued operations, net of tax	(26)	(18)	(45)	89	(3,315)	(2,995)	(382)
Net (loss) income	$ (588)	$ 259	$ (157)	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)
	(in millions, except per share data)						
Net income (loss) attributable to common shareholders							
Net income (loss) from continuing operations	$ (562)	$ 277	$ (112)	$ 986	$ (6,983)	$ 4,863	$ (1,950)
Less: Preferred stock dividends U.S. Department of Treasury	(267)	(267)	534	963	855		
Less: Preferred stock dividends	(134)	(127)	260	282	370		192
Less: Impact of conversion of preferred stock and related amendment				616(c)			
Less: Impact of preferred stock amendment		32	(32)				
Net (loss) income from continuing operations attributable to common shareholders (a)	(963)	(85)	(874)	(875)	(8,208)	4,863	(2,142)

(Loss) income from discontinued operations, net of tax	(26)	(18)	(45)	89	(3,315)	(2,995)	(382)
Net (loss) income attributable to common shareholders	(989)	(103)	$ (919)	$ (786)	$ (11,523)	$ 1,868	$ (2,524)
Basic and diluted weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	800,597	529,392	108,884	101,331

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	At and for six months ended June 30, 2012	2011	At and for the year ended December 31, 2011	2010	2009	2008	2007
			(per share data in whole dollars)				
Basic and diluted earnings per common share (d)							
Net (loss) income from continuing operations	(723)	(64)	$ (658)	$ (1,092)	$ (15,503)	$ 44,661	$ (21,143)
(Loss) income from discontinued operations, net of tax	(20)	(14)	(33)	111	(6,262)	(27,509)	(3,768)
Net (loss) income	(743)	(78)	$ (691)	$ (981)	$ (21,765)	$ 17,152	$ (24,911)
			($ in millions)				
Pro forma data (e)							
Basic and diluted earnings per common share							
Net (loss) income from continuing operations							
Income (loss) from discontinued operations, net of tax							
Net (loss) income							
Basic and diluted weighted-average common shares outstanding							
Non-GAAP financial measures (f):							
Net (loss) income	$ (588)	$ 259	$ (157)	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)
Add: Original issue discount amortization expense (g)	204	600	962	1,300	1,143	70	
Add: Income tax expense (benefit) from continuing operations	79	13	179	153	74	(150)	477
Less: Gain on extinguishment of debt related to the 2008 bond exchange						11,460	
Less: (Loss) income from discontinued operations, net of tax	(26)	(18)	(45)	89	(3,315)	(2,995)	(382)
Core pretax income (loss) (f)	$ (279)	$ 890	$ 1,029	$ 2,439	$ (5,766)	$ (6,677)	$ (1,473)
Selected period-end balance sheet data:							
Total assets	$ 178,560	$ 178,889	$ 184,059	$ 172,008	$ 172,306	$ 189,476	$ 248,939
Long-term debt	$ 91,096	$ 91,723	$ 92,794	$ 86,612	$ 88,021	$ 115,935	$ 159,342
Preferred stock/interests (d)	$ 6,940	$ 6,940	$ 6,940	$ 6,972	$ 12,180	$ 6,287	$ 1,052
Total equity	$ 18,363	$ 20,423	$ 19,371	$ 20,489	$ 20,839	$ 21,854	$ 15,565
Financial ratios							
Efficiency ratio (h)	108.81%	86.38%	95.29%	79.31%	121.06%	50.53%	83.43%
Core efficiency ratio (h)	102.92%	73.19%	82.26%	67.78%	102.22%	181.10%	83.43%
Return on assets (i)							
Net (loss) income from continuing operations	(0.61)%	0.32%	(0.06)%	0.56%	(3.93)%	2.57%	(0.78)%
Net (loss) income	(0.64)%	0.30%	(0.09)%	0.61%	(5.79)%	0.99%	(0.94)%
Core pretax (loss) income	(0.30)%	1.02%	0.57%	1.38%	(3.24)%	(3.52)%	(0.59)%
Return on equity (i)							
Net (loss) income from continuing operations	(5.92)%	2.74%	(0.56)%	4.76%	(28.79)%	22.25%	(12.53)%
Net (loss) income	(6.19)%	2.55%	(0.78)%	5.19%	(42.46)%	8.55%	(14.98)%
Core pretax (loss) income	(2.94)%	8.79%	5.10%	11.78%	(23.78)%	(30.55)%	(9.46)%
Equity to assets (i)	10.35%	11.59%	11.15%	11.72%	13.63%	11.53%	6.25%
Net interest spread (i)(j)	1.40%	1.10%	1.07%	1.26%	0.73%	(k)	(k)
Net interest spread excluding original issue discount (i)(j)	1.73%	2.00%	1.79%	2.32%	1.75%	(k)	(k)
Net yield on interest-earning assets (i)(l)	1.79%	1.65%	1.57%	1.81%	1.43%	(k)	(k)
Net yield on interest-earning assets excluding original issue discount (i)(l)	2.05%	2.38%	2.15%	2.65%	2.18%	(k)	(k)
Regulatory capital ratios							

Tier 1 capital (to risk-weighted assets) (m)	13.68%	14.65%	13.71%	15.00%	14.15%	(k)	(k)
Total risk-based capital (to risk-weighted assets) (n)	14.70%	15.87%	14.75%	16.36%	15.55%	(k)	(k)
Tier 1 leverage (to adjusted quarterly average assets) (o)	10.99%	12.47%	11.50%	13.05%	12.70%	(k)	(k)
Total equity	$ 18,363	$ 20,423	$ 19,371	$ 20,489	$ 20,839	(k)	(k)
Goodwill and certain other intangibles	(491)	(533)	(493)	(532)	(534)	(k)	(k)
Unrealized gains and other adjustments	(180)	(315)	(262)	(309)	(447)	(k)	(k)
Trust preferred securities	2,543	2,541	2,542	2,541	2,540	(k)	(k)
Tier 1 capital (m)	20,235	22,116	21,158	22,189	22,398	(k)	(k)
Preferred equity	(6,940)	(6,940)	(6,940)	(6,971)	(12,180)	(k)	(k)
Trust preferred securities	(2,543)	(2,541)	(2,542)	(2,541)	(2,540)	(k)	(k)
Tier 1 common capital (non-GAAP) (p)	$ 10,752	$ 12,635	$ 11,676	12,677	7,678	(k)	(k)
Risk-weighted assets (q)	$ 147,901	$ 151,000	$ 154,308	$ 147,964	$ 158,314	(k)	(k)
Tier 1 common (to risk-weighted assets) (p)	7.27%	8.37%	7.57%	8.57%	4.85%	(k)	(k)

(a) Total other revenue for 2008 includes $12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter.

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(b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of $1.2 billion was established through income tax expense. Refer to Note 25 to the Consolidated Financial Statements for additional information regarding our change in tax status.

(c) This amount relates to the conversion by Treasury of 110,000,000 shares of Series F-2 preferred stock into 531,850 shares of our common stock that occurred on December 30, 2010. Refer to Note 20 to the Consolidated Financial Statements for further detail.

(d) Effective June 30, 2009, we converted from a Delaware limited liability company into a Delaware corporation. Each unit of each class of common membership interest issued and outstanding immediately prior to the conversion was converted into an equivalent number of shares of common stock with substantially the same rights and preferences as the common membership interests. Upon conversion, holders of our preferred membership interests also received an equivalent number of shares of preferred stock with substantially the same rights and preferences as the former preferred membership interests.

(e) The pro forma financial information gives effect to this offering as if it has closed on January 1, 2010, and reflects (i) the receipt by Treasury of additional shares of common stock in connection with this offering, (ii) increased interest expense on the amortizing notes at an assumed interest rate of % (tax affected at the historical rates reflected in the financial statements for 2011 and the six months ended June 30, 2012) and (iii) the elimination of dividends of $ on the Series F-2 preferred stock being converted into common stock and exchanged for Units in this offering. The pro forma financial information does not reflect the value of the additional shares received by Treasury that will be treated as a one-time, non-cash dividend of $ in the quarter in which this offering closes and the related reduction of $ per share in earnings per share.

(f) Core pretax income (loss) is not a financial measure defined by generally accepted accounting principles in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income (loss) is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income (loss) is the primary measure that management uses to assess the performance of our operations. We believe that core pretax income (loss) is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.

(g) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange, including $50 million and $101 million of accelerated amortization that was reported as a loss on extinguishment of debt in the fiscal year 2011 and fiscal year 2010 Consolidated Statement of Income, respectively.

(h) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange. As a result of the bankruptcy filings, total other noninterest expense for the six months ended June 30, 2012 was adversely affected.

(i) The 2012, 2011, 2010 and 2009 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies. The 2008 and 2007 ratios have been computed based on period-end total assets and period-end total equity at December 31, 2008 and 2007.

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

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(k) Not applicable at December 31, 2008 and 2007, as we did not become a bank holding company until December 24, 2008.

(l) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

(m) Tier 1 capital generally consists of common equity, minority interests, qualifying non-cumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP and purchase contracts (including the purchase contracts that are components of the Units being offered in the concurrent offering) less goodwill and other adjustments.

(n) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

(o) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

(p) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. However, the purchase contracts that are components of the Units being offered in the concurrent offering are not subtracted from Tier 1 capital to determine Tier 1 common. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.

(q) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, globally diversified, financial services firm with $179 billion in assets. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (online and telephonic) banking market, with $42.7 billion of deposits at June 30, 2012. Ally Bank s assets and operating results are divided between our Global Automotive Services and Mortgage operations based on its underlying business activities.

Our Business

Global Automotive Services

Our Global Automotive Services operations offer a wide range of financial services and insurance products to over 22,000 automotive dealers and their retail customers. We have deep dealer relationships that have been built over our 90-year history and our dealer-focused business model makes us a preferred automotive finance company for many automotive dealers. Our broad set of product offerings and customer-focused marketing programs differentiate Ally in the marketplace and help drive higher product penetration in our dealer relationships. Our ability to generate attractive automotive assets is driven by our global platform and scale, strong relationships with automotive dealers, a full suite of dealer financial products, automotive loan-servicing capabilities, dealer-based incentive programs, and superior customer service.

Our automotive financial services include providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer vehicle service contracts and commercial insurance primarily covering dealers wholesale vehicle inventories in the United States. We are a leading provider of vehicle service contracts, and maintenance coverages.

We have a longstanding relationship with General Motors Company (GM) and have developed strong relationships directly with GM-franchised dealers. Since GM sold a majority interest in us in 2006, we have transformed ourselves to a market-driven independent automotive finance company. We are the preferred financing provider to GM and Chrysler Group LLC (Chrysler) (including Fiat) for incentivized retail loans. On April 25, 2012, Chrysler provided us with notification of nonrenewal for the existing agreement governing the exclusivity privileges related to certain of its retail financing subvention programs. Ally currently competes in the marketplace for all other parts of the business with Chrysler dealers including wholesale financing, standard rate consumer financing, and leasing. Ally expects to continue to play a significant role with Chrysler dealers in the future as the dealer is Ally s direct customer for the majority of business that is conducted. For the three months and six months ended June 30, 2012, the Chrysler subvented business accounted for approximately 6.7% and 6.0% of Ally s total U.S. consumer originations and comprised approximately 4.7% of Ally s earning asset base at June 30, 2012.

Within the United States, we have further diversified our customer base by establishing agreements to become preferred financing providers with other manufacturers including Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors. Currently, a significant portion of our business is originated through GM- and Chrysler-franchised dealers and their customers.

During 2009 and much of 2010 our primary emphasis was on originating loans of higher credit tier borrowers. For this reason, our current operating results continue to reflect higher credit quality, lower yielding

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loans with lower credit loss experience. Ally however seeks to be a meaningful lender to a wide spectrum of borrowers. In 2010 we enhanced our risk management practices and efforts on risk-based pricing. We have gradually increased volumes in lower credit tiers in 2011. We have also selectively re-entered the leasing market with a more targeted product approach since late 2009.

We plan to continue to increase the proportion of our non-GM and Chrysler business, as we focus on maintaining and growing our dealer-customer base through our full suite of products, our dealer relationships, the scale of our platform, and our dealer-based incentive programs. We also expect growth in consumer applications to moderate to some degree given the significant growth of consumer applications experienced in 2011 following the addition of a new credit aggregation network in DealerTrack, which provides access to a more expansive universe of dealers.

Our international automotive finance operations primarily consists of entities that are under strategic review to be sold and noncore business activities including portfolios in run-off. These operations exist in Asia, Latin America and Europe.

Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, and maintenance coverage. We also underwrite selected commercial insurance coverage, which primarily insures dealers wholesale vehicle inventory in the United States. Additionally, our Insurance operations offer Guaranteed Automobile Protection (GAP) products in the United States and personal automobile insurance coverage in certain countries outside of the United States.

Mortgage

The principal ongoing activities of our Mortgage operations include originating, purchasing, selling, and securitizing conforming and government-insured residential mortgage loans in the United States through Ally Bank; and servicing residential mortgage loans for ourselves and others. We also originate high-quality prime jumbo mortgage loans in the United States.

On May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors and their direct and indirect subsidiaries) reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan. As a result of the bankruptcy filing, effective May 14, 2012, we have deconsolidated ResCap from our financial statements. Our remaining Mortgage operations are conducted through the mortgage operations of Ally Bank. The consolidated assets of our Mortgage operations have decreased to $17.1 billion at June 30, 2012, from $31.3 billion at December 31, 2011.

Our Mortgage operations also include noncore business activities that are winding down or were business activities of ResCap, which was deconsolidated on May 14, 2012, including, among other things: portfolios in runoff; our mortgage reinsurance business; and providing collateralized lines of credit to other mortgage originators, which we refer to as warehouse lending.

Corporate and Other

Corporate and Other primarily consists of our centralized corporate treasury and deposit gathering activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, and reclassifications and eliminations between the reportable operating segments.

Loss from continuing operations before income tax expense for Corporate and Other was $2.1 billion, $1.9 billion and $2.6 billion for the six months ended June 30, 2012 and the years ended December 31, 2011 and 2010, respectively. These losses were primarily driven by net financing losses of $629 million, $1.7 billion and $2.1 billion for the six months ended June 30, 2012 and the years ended December 31, 2011 and 2010, respectively. The net financing losses at Corporate and Other are largely driven by the amortization of original issue discount, primarily related to our 2008 bond exchange, and the net financing loss that results from our FTP methodology. The higher losses from continuing operations before income tax expense for 2012 were primarily due to a $1.2 billion charge related to the Debtors Chapter 11 filing.

The net financing revenue of our Global Automotive Services and Mortgage operations includes the results of an FTP process that insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Global Automotive Services and Mortgage operations, respectively, based on anticipated maturity and a benchmark index plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise, including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology, which incorporates each operations credit, market, and operational risk components is used to allocate equity to these operations.

The negative residual impact of our FTP methodology that is realized in Corporate and Other primarily represents the cost of certain funding and liquidity management activities not allocated through our FTP methodology. Most notably, the net interest expense of maintaining our liquidity and investment portfolios, the value of which was approximately $24.0 billion at June 30, 2012, is maintained in Corporate and Other and not allocated to the businesses through our FTP methodology. In addition, other unassigned funding costs, including the results of our ALM activities, are also not allocated to the businesses.

Ally Bank

Ally Bank, our direct banking platform, provides our Automotive Finance and Mortgage operations with a stable and low-cost funding source and facilitates prudent asset growth. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through a direct banking channel via the internet and by telephone. We have become a leader in direct banking with our recognizable brand, accessible 24/7 customer service, and competitively priced products.

Ally Bank offers a full spectrum of deposit product offerings including certificates of deposits, savings accounts, money market accounts, IRA deposit products, and an online checking product. In addition, brokered deposits are obtained through third-party intermediaries. At June 30, 2012, Ally Bank had $42.7 billion of deposits, including $30.4 billion of retail deposits. The growth of our retail base from $7.2 billion at the end of 2008 to $30.4 billion at June 30, 2012, has enabled us to reduce our cost of funds during that period. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

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Funding and Liquidity

Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all of our liquidity needs throughout different market cycles, including periods of financial distress. Prior to becoming a bank holding company, our funding largely came from the following sources.

- Public unsecured debt capital markets;
- Asset-backed securitizations, both public and private;
- Asset sales;
- Committed and uncommitted credit facilities; and
- Brokered and retail deposits.

The diversity of our funding sources enhances funding flexibility, limits dependence on any one source and results in a more cost-effective funding strategy over the long term. Throughout 2008 and 2009, the global credit markets experienced extraordinary levels of volatility and stress. As a result, access by market participants, including Ally, to the capital markets was significantly constrained and borrowing costs increased. In response, numerous government programs were established aimed at improving the liquidity position of U.S. financial services firms. After converting to a bank holding company in late 2008, we participated in several of the programs, including Temporary Liquidity Guaranty Program (TLGP), Term Auction Facility, and Term Asset-Backed Securities Loan Facility. Our diversification strategy and participation in these programs helped us to maintain sufficient liquidity during this period of financial distress to meet all maturing unsecured debt obligations and to continue our lending and operating activities.

During 2009, as part of our overall transformation from an independent financial services company to a bank holding company, we took actions to further diversify and develop more stable funding sources and, in particular, embarked upon initiatives to grow our consumer deposit-taking capabilities within Ally Bank. In addition, we began distinguishing our liquidity management strategies between bank funding and nonbank funding.

Maximizing bank funding continues to be the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility or changes in our credit ratings than other funding sources. At June 30, 2012, deposit liabilities totaled $48.0 billion, which constituted 33% of our total funding. This compares to just 14% at December 31, 2008.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During 2011, we issued $9.3 billion in secured funding backed by retail automotive loans and leases as well as dealer floorplan automotive loans of Ally Bank. Continued structural efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automobile loans are selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed and matched funding for the life of the asset. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

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As we have shifted our focus to migrating assets to Ally Bank and growing our bank funding capabilities, our reliance on parent company liquidity has consequently been reduced. Funding sources at the parent company generally consist of longer-term unsecured debt, private credit facilities, and asset-backed securitizations. Historically, the unsecured term debt markets were a key source of long-term financing for us. However, given our ratings profile and market environment, during the second half of 2007 and throughout 2008 and 2009 we chose not to target transactions in the unsecured term debt markets due to the expected high market rates and alternative funding sources. In 2010, we re-entered the unsecured term debt market with several issuances that year. In the first half of 2011, we issued over $3.7 billion of unsecured debt globally through several issuances. However, in the second half of 2011, we chose not to issue unsecured term debt given the extreme market volatility and expected high cost of issuance. At December 31, 2011, we had $12.0 billion and $2.3 billion of outstanding unsecured long-term debt with maturities in 2012 and 2013, respectively. To fund these maturities, we expect to use existing pre-issued liquidity combined with maintaining an opportunistic approach to new issuance.

The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at the parent company was $26.9 billion, and Ally Bank had $10.0 billion of available liquidity at December 31, 2011. For discussion purposes within the funding and liquidity section, parent company includes our consolidated operations less our Insurance operations, ResCap, and Ally Bank. At the same time, these strategies have also resulted in a cost of funds improvement of approximately 178 basis points since the first quarter of 2009. Looking forward, given our enhanced liquidity and capital position and generally improved credit ratings, we expect that our cost of funds will continue to improve over time.

Credit Strategy

We are a full spectrum automotive finance lender with most of our automotive loan originations underwritten within the prime-lending markets as we continue to prudently expand in nonprime markets. Our Mortgage operations primarily focus on selling conforming mortgages we originate or purchase in sales that take the form of securitizations guaranteed by Fannie Mae or Freddie Mac and sell government-insured mortgage loans we originate or purchase in securitizations guaranteed by Ginnie Mae (collectively, the Government-sponsored Enterprises or GSEs).

During 2011, we continued to recognize improvement in our credit risk profile as a result of proactive credit risk initiatives that were taken in 2009 and 2010 and modest improvement in the overall economic environment. We discontinued and sold multiple nonstrategic operations, mainly in our international businesses, including our commercial construction portfolio. Within our Automotive Finance operations, we exited certain underperforming dealer relationships. Within our Mortgage operations, we have taken action to reduce the focus on the correspondent mortgage-lending channel; however, we will maintain correspondent relationships with key customers.

During the year ended December 31, 2011, the credit performance of our portfolios improved overall as we benefited from lower frequency and severity of losses within our automotive portfolios and stabilization of asset quality trends within our mortgage portfolios. Nonperforming loans and charge-offs declined, and our provision for loan losses decreased to $219 million in 2011 from $442 million in 2010.

We continue to see signs of economic stabilization in the housing and vehicle markets, although our total credit portfolio will continue to be affected by sustained levels of high unemployment and continued uncertainty in the housing market.

Representation and Warranty Obligations

A significant portion of our representation and warranty obligations were eliminated as a result of the deconsolidation of ResCap. Related to the deconsolidation of ResCap, we allocated a representation and warranty reserve to Ally Bank, which was $124 million at June 30, 2012 with respect to Ally Bank s sold and serviced loans. The current liability for representation and warranty obligations reflects management s best estimate of probable lifetime losses with respect to Ally Bank s mortgage loans sold to Freddie Mac and Fannie Mae. We seek to manage the risk of repurchase or indemnification and the associated credit exposure through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan s performance.

Bank Holding Company and Treasury s Investments

During 2008, and continuing into 2009, the credit, capital, and mortgage markets became increasingly disrupted. This disruption led to severe reductions in liquidity and adversely affected our capital position. As a result, Ally sought approval to become a bank holding company to obtain access to capital at a lower cost to remain competitive in our markets. On December 24, 2008, Ally and IB Finance Holding Company, LLC, the holding company of Ally Bank, were each approved as bank holding companies under the Bank Holding Company Act of 1956. At the same time, Ally Bank converted from a Utah-chartered industrial bank into a Utah-chartered commercial nonmember bank. Ally Bank as an FDIC-insured depository institution, is subject to the supervision and examination of the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI). Ally Financial Inc. is subject to the supervision and examination of the Board of Governors of the Federal Reserve System (FRB). We are required to comply with regulatory risk-based and leverage capital requirements, as well as various safety and soundness standards established by the FRB, and are subject to certain statutory restrictions concerning the types of assets or securities that we may own and the activities in which we may engage.

As one of the conditions to becoming a bank holding company, the FRB required several actions of Ally, including meeting a minimum amount of regulatory capital. In order to meet this requirement, Ally took several actions, the most significant of which were the execution of private debt exchanges and cash tender offers to purchase and/or exchange certain of our and our subsidiaries outstanding notes held by eligible holders for a combination of cash, newly issued notes of Ally, and in the case of certain of the offers, preferred stock. The transactions resulted in an extinguishment of all notes tendered or exchanged into the offers and the new notes and stock were recorded at fair value on the issue date. This resulted in a pretax gain on extinguishment of debt of $11.5 billion and a corresponding increase to our capital levels. The gain included a $5.4 billion original issue discount representing the difference between the face value and the fair value of the new notes and is being amortized as interest expense over the term of the new notes. In addition, the U.S. Department of Treasury (Treasury) made an initial investment in Ally on December 29, 2008, pursuant to the Troubled Asset Relief Program (TARP) with a $5.0 billion purchase of Ally perpetual preferred stock with a total liquidation preference of $5.25 billion (Perpetual Preferred Stock).

On May 21, 2009, Treasury made a second investment of $7.5 billion in exchange for Ally s mandatorily convertible preferred stock with a total liquidation preference of approximately $7.9 billion (Old MCP), which included a $4 billion investment to support our agreement with Chrysler to provide automotive financing to Chrysler dealers and customers and a $3.5 billion investment related to the FRB s Supervisory Capital Assessment Program requirements. Shortly after this second investment, on May 29, 2009, Treasury acquired 35.36% of Ally common stock when it exercised its right to acquire 190,921 shares of Ally common stock from GM as repayment for an $884 million loan that Treasury had previously provided to GM.

On December 30, 2009, we entered into another series of transactions with Treasury under TARP, pursuant to which Treasury (i) converted 60 million shares of Old MCP (with a total liquidation preference of $3.0 billion) into 259,200 shares of additional Ally common stock; (ii) invested $1.25 billion in new Ally mandatorily convertible preferred stock with a total liquidation preference of approximately $1.3 billion (the New MCP); and (iii) invested $2.54 billion in new trust preferred securities with a total liquidation preference of approximately $2.7 billion (Trust Preferred Securities). At this time, Treasury also exchanged all of its Perpetual Preferred Stock and remaining Old MCP (following the conversion of Old MCP described above) into additional New MCP.

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On December 30, 2010, Treasury converted 110 million shares of New MCP (with a total liquidation preference of approximately $5.5 billion) into 531,850 shares of additional Ally common stock. The conversion reduces dividends by approximately $500 million per year, assists with capital preservation, and is expected to improve profitability with a lower cost of funds.

On March 1, 2011, the Declaration of Trust and certain other documents related to the Trust Preferred Securities were amended, and all of the outstanding Trust Preferred Securities held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series 2. On March 7, 2011, Treasury sold 100% of the Series 2 Trust Preferred Securities in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Following the transactions described above, Treasury currently holds 73.8% of Ally common stock and approximately $5.9 billion in New MCP. As a result of its current common stock investment, Treasury is entitled to appoint six of the eleven total members of the Ally Board of Directors.

The following table summarizes the investments in Ally made by Treasury in 2008 and 2009.

	Investment type	**Date**	**Cash investment**	**Warrants**	**Total**
				($ in millions)	
TARP	Preferred equity	December 29, 2008	$ 5,000	$ 250	$ 5,250
GM Loan Conversion (a)	Common equity	May 21, 2009	884		884
SCAP 1	Preferred equity (MCP)	May 21, 2009	7,500	375	7,875
SCAP 2	Preferred equity (MCP)	December 30, 2009	1,250	63	1,313
SCAP 2	Trust preferred securities	December 30, 2009	2,540	127	2,667
Total cash investments			$ 17,174	$ 815	$ 17,989

(a) In January 2009, Treasury loaned $884 million to General Motors. In connection with that loan, Treasury acquired rights to exchange that loan for 190,921 shares. In May 2009, Treasury exercised that right.

The following table summarizes Treasury s investment in Ally at June 30, 2012.

	June 30, 2012	
	Book Value	**Face Value**
	($ in millions)	
MCP (a)	$ 5,685	$ 5,938
Common equity (b)		73.8%

(a) Reflects the exchange of face value of $5.25 billion of Perpetual Preferred Stock to MCP in December 2009 and the conversion of face value of $3.0 billion and $5.5 billion of MCP to common equity in December 2009 and December 2010, respectively.

(b) Represents the current common equity ownership position by Treasury.

Discontinued Operations

During 2009, 2010, and 2011, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and have classified certain of these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for more details.

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Primary Lines of Business

Our primary lines of business are Global Automotive Services and Mortgage operations. The following table summarizes the operating results excluding discontinued operations of each line of business. Operating results for each of the lines of business are more fully described in the sections of this Management s Discussion and Analysis of Financial Condition and Results of Operations that follow.

	Six months ended June 30,		
($ in millions)	**2012**	**2011**	**Favorable/ (unfavorable) % change**
Total net revenue (loss)			
Global Automotive Services			
North American Automotive Finance operations	$ 1,805	$ 1,919	(6)
International Automotive Finance operations	460	452	2
Insurance operations	899	968	(7)
Mortgage operations	1,005	804	25
Corporate and Other	(603)	(816)	26
Total	$ 3,566	$ 3,327	7
Income (loss) from continuing operations before income tax expense			
Global Automotive Services			
North American Automotive Finance operations	$ 1,073	$ 1,077	
International Automotive Finance operations	117	100	17
Insurance operations	167	203	(18)
Mortgage operations	215	(82)	n/m
Corporate and Other	(2,055)	(1,008)	(104)
Total	$ (483)	$ 290	n/m

n/m = not meaningful

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**Favorable/ (unfavorable) 2011-2010 % change**	**Favorable/ (unfavorable) 2010-2009 % change**
Total net revenue (loss)					
Global Automotive Services					
North American Automotive Finance operations	$ 3,588	$ 4,011	$ 3,831	(11)	5
International Automotive Finance operations	901	894	823	1	9
Insurance operations	1,867	2,240	2,144	(17)	4
Mortgage operations	1,219	2,638	924	(54)	185
Corporate and Other	(1,504)	(2,141)	(1,520)	30	(41)
Total	$ 6,071	$ 7,642	$ 6,202	(21)	23
Income (loss) from continuing operations before income tax expense					
Global Automotive Services					
North American Automotive Finance operations	$ 2,106	$ 2,344	$ 1,624	(10)	44

International Automotive Finance operations	210	205	(102)	2	n/m
Insurance operations	407	562	321	(28)	75
Mortgage operations	(749)	653	(6,262)	n/m	n/m
Corporate and Other	(1,907)	(2,625)	(2,490)	27	(5)
Total	$ 67	$ 1,139	$ (6,909)	(94)	116

n/m = not meaningful

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Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the operating segment sections of this prospectus entitled Global Automotive Services and Mortgage for a more complete discussion of operating results by line of business.

	Six months ended June 30,		
($ in millions)	**2012**	**2011**	**Favorable/ (unfavorable) % change**
Net financing revenue			
Total financing revenue and other interest income	$ 4,812	$ 4,961	(3)
Interest expense	2,750	3,253	15
Depreciation expense on operating lease assets	611	446	(37)
Net financing revenue	1,451	1,262	15
Other revenue			
Net servicing income	462	506	(9)
Insurance premiums and service revenue earned	734	798	(8)
Gain on mortgage and automotive loans, net	260	206	26
Loss on extinguishment of debt		(64)	100
Other gain on investments, net	156	176	(11)
Other income, net of losses	503	443	14
Total other revenue	2,115	2,065	2
Total net revenue	3,566	3,327	7
Provision for loan losses	169	163	(4)
Noninterest expense			
Compensation and benefits expense	864	839	(3)
Insurance losses and loss adjustment expenses	367	397	8
Other operating expenses	2,649	1,638	(62)
Total noninterest expense	3,880	2,874	(35)
(Loss) income from continuing operations before income tax expense	(483)	290	n/m
Income tax expense from continuing operations	79	13	n/m
Net (loss) income from continuing operations	$ (562)	$ 277	n/m

n/m = not meaningful

We incurred a net loss from continuing operations of $562 million for the six months ended June 30, 2012, compared to net income from continuing operations of $277 million for the six months ended June 30, 2011. Net income from continuing operations for the six months ended June 30, 2012, was unfavorably impacted by a $1.2 billion charge related to the Debtors Chapter 11 filing. Refer to Note 1 to the Condensed Consolidated Financial Statements for additional information related to ResCap. This charge was partially offset during 2012 by lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization and an increase in consumer automotive financing revenue related to strong loan origination volume.

Total financing revenue and other interest income decreased by 3% for the six months ended June 30, 2012, compared to the same period in 2011. The decrease at our Mortgage operations resulted primarily from the deconsolidation of ResCap effective May 14, 2012. Operating lease revenue at our North American Automotive Finance operations decreased due to a change in portfolio mix primarily associated with the continued wind-down of legacy lease assets. These declines were partially offset by an increase in consumer financing revenue at our North

American Automotive operations driven primarily by strong loan origination volume, resulting primarily from increased volumes of used vehicle automotive financing and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods. Additionally, we continue to prudently expand our nonprime origination volume.

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Interest expense decreased 15% for the six months ended June 30, 2012, compared to the same period in 2011. OID amortization expense decreased $345 million for the six months ended June 30, 2012, compared to the same period in 2011, due to bond maturities and normal monthly amortization. Additionally, interest expense decreased at our Mortgage operations due to the deconsolidation of ResCap and lower funding costs.

Depreciation expense on operating lease assets increased 37% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to lower lease remarketing gains as a result of lower lease termination volume.

Net servicing income was $462 million for the six months ended June 30, 2012, compared to $506 million for the same period in 2011. The decrease was primarily due to the deconsolidation of ResCap and lower levels of off-balance sheet automotive retail serviced assets.

Insurance premiums and service revenue earned decreased 8% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to declining U.S. vehicle service contracts written between 2007 and 2009.

Gain on mortgage and automotive loans increased 26% for the six months ended June 30, 2012, compared to the same period in 2011. The increase was primarily due to higher consumer mortgage lending-production and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved gains on specified pooled loans.

Loss on extinguishment of debt decreased $64 million for the six months ended June 30, 2012, compared to the same period in 2011. The activity in 2011 included $20 million and $50 million of accelerated amortization of original issue discount related to the extinguishment of certain Ally debt for the six months ended June 30, 2011.

Other gain on investments, net, decreased 11% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to lower realized investment gains.

Other income, net of losses, increased 14% for the six months ended June 30, 2012, compared to the same period in 2011. The increase during the six months ended June 30, 2012, was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs and a decrease in fair value option election valuation losses related to the deconsolidation of ResCap. This increase was partially offset by the absence of a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements recognized during 2011.

Compensation and benefits expense increased 3% for the six months ended June 30, 2012, compared to the same period in 2011. The six months ended June 30, 2012, increased due to a revaluation adjustment of our share-based compensation awards and an increase in headcount within our Mortgage operations due to higher consumer-lending production.

Insurance losses and loss adjustment expenses decreased 8% during the six months ended June 30, 2012, compared to the same period in 2011. The decrease was primarily driven by decreased volume of our U.S. extended service contracts and lower non-weather-related losses from our international business. The decrease was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Other operating expenses increased 62% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to a $1.2 billion charge related to the Debtors Chapter 11 filing, regulatory penalties imposed in foreclosure-related matters of $90 million during the three months ended June 30, 2012, and higher professional services expense. These increases were partially offset by lower mortgage representation and warranty expense related to the deconsolidation of ResCap and lower state and local non-income taxes.

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Income tax expense from continuing operations was $79 million for the six months ended June 30, 2012, compared to income tax expense of $13 million for the same period in 2011. The increase in tax expense for the six months ended June 30, 2012, compared to the same period in 2011, was due to a non-recurring 2011 benefit of $101 million related to the reversal of valuation allowance on net deferred tax assets in one of our Canadian subsidiaries.

In calculating the provision for income taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. We have a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, income tax expense is driven by foreign income taxes on pretax profits within our foreign operations and U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted.

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**Favorable/ (unfavorable) 2011-2010 % change**	**Favorable/ (unfavorable) 2010-2009 % change**
Net financing revenue					
Total financing revenue and other interest income	$ 9,736	$ 11,183	$ 12,772	(13)	(12)
Interest expense	6,223	6,666	7,091	7	6
Depreciation expense on operating lease assets	1,038	1,903	3,519	45	46
Net financing revenue	2,475	2,614	2,162	(5)	21
Other revenue					
Net servicing income	569	1,099	363	(48)	n/m
Insurance premiums and service revenue earned	1,573	1,750	1,861	(10)	(6)
Gain on mortgage and automotive loans, net	470	1,261	799	(63)	58
(Loss) gain on extinguishment of debt	(64)	(123)	665	48	(118)
Other gain on investments, net	294	504	162	(42)	n/m
Other income, net of losses	754	537	190	40	183
Total other revenue	3,596	5,028	4,040	(28)	24
Total net revenue	6,071	7,642	6,202	(21)	23
Provision for loan losses	219	442	5,603	50	92
Noninterest expense					
Compensation and benefits expense	1,574	1,576	1,517		(4)
Insurance losses and loss adjustment expenses	713	820	992	13	17
Other operating expenses	3,498	3,665	4,999	5	27
Total noninterest expense	5,785	6,061	7,508	5	19
Income (loss) from continuing operations before income tax expense	67	1,139	(6,909)	(94)	116
Income tax expense from continuing operations	179	153	74	(17)	(107)
Net (loss) income from continuing operations	$ (112)	$ 986	$ (6,983)	(111)	114

n/m = not meaningful

2011 Compared to 2010

We incurred a net loss from continuing operations of $112 million for the year ended December 31, 2011, compared to net income from continuing operations of $986 million for the year ended December 31, 2010. Continuing operations for the year ended December 31, 2011, was unfavorably impacted by a decrease in net servicing income due to a drop in interest rates and increased market volatility, lower gains on the sale of loans, and a $230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters. Partially offsetting the decrease was lower representation and warranty expense and a lower provision for loan losses.

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Total financing revenue and other interest income decreased by 13% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and the related depreciation expense at our Automotive Finance operations declined due to a lower average operating lease portfolio balance as a result of our decision in late 2008 to significantly curtail leasing. Depreciation expense was also impacted by lower lease remarketing gains resulting from lower lease termination volumes. The decrease in our Mortgage operations resulted from a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. Partially offsetting the decrease was an increase in consumer financing revenue at our North American Automotive operations driven primarily by an increase in consumer asset levels related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention.

Interest expense decreased 7% for the year ended December 31, 2011, compared to 2010, primarily as a result of a change in our funding mix with an increased amount of funding coming from deposit liabilities as well as favorable trends in the securitization markets.

Net servicing income was $569 million for the year ended December 31, 2011, compared to $1.1 billion in 2010. The decrease was primarily due to a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. Additionally, 2011 includes a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order.

Insurance premiums and service revenue earned decreased 10% for the year ended December 31, 2011, compared to 2010. The decrease was primarily driven by the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans decreased 63% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower margins on mortgage loan sales, a decrease in mortgage loan production, lower whole-loan mortgage sales and mortgage loan resolutions in 2011, the absence of the 2010 gain on the deconsolidation of an on-balance sheet securitization, and the expiration of our automotive forward flow agreements during the fourth quarter of 2010.

We incurred a loss on extinguishment of debt of $64 million for the year ended December 31, 2011, compared to a loss of $123 million for the year ended December 31, 2010. The activity in all periods related to the extinguishment of certain Ally debt, which included $50 million of accelerated amortization of original issue discount for the 2011, compared to $101 million in 2010.

Other gain on investments was $294 million for the year ended December 31, 2011, compared to $504 million in 2010. The decrease was primarily due to lower realized investment gains on our Insurance operations investment portfolio.

Other income, net of losses, increased 40% for the year ended December 31, 2011, compared to 2010. The increase during 2011 was primarily due to the positive impact of a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements and a favorable change in the fair value option election adjustment.

The provision for loan losses was $219 million for the year ended December 31, 2011, compared to $442 million in 2010. The decrease during 2011 reflected improved credit quality of the overall portfolio and the continued runoff and improved loss performance of our Nuvell nonprime automotive financing portfolio.

Insurance losses and loss adjustment expenses decreased 13% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower frequency and severity experienced within our

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international Insurance business and the sale of certain international operations during the fourth quarter of 2010. The decrease was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Other operating expenses decreased 5% for the year ended December 31, 2011, compared to 2010. The decrease was primarily related to lower mortgage representation and warranty reserve expense of $346 million, lower insurance commissions expense, and lower vehicle remarketing and repossession expense. The decrease was partially offset by a $230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters.

The efficiency ratio was 95.3% for the year ended December 31, 2011, compared to 79.3% in 2010. Management focuses on the efficiency ratio as an important measure to assess the performance of our operations. The ratio was negatively impacted during 2011, when compared to 2010, primarily due to significantly higher expenses for our Mortgage operations driven by penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters, as well as a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order.

We recognized consolidated income tax expense of $179 million for the year ended December 31, 2011, compared to $153 million in 2010. We have a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, tax expense is driven by foreign income taxes on pretax profits within our foreign operations and U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted. The increase in income tax expense for 2011, compared to 2010, was driven by increased pretax income in our foreign operations, partially offset by a $101 million reversal of valuation allowance in Canada related to modifications to the legal structure of our Canadian operations.

2010 Compared to 2009

We earned net income from continuing operations of $986 million for the year ended December 31, 2010, compared to a net loss from continuing operations of $7.0 billion for the year ended December 31, 2009. Continuing operations for the year ended December 31, 2010, were favorably impacted by our strategic mortgage actions taken during 2009 to stabilize our consumer and commercial portfolios that resulted in a significant decrease in our provision for loan losses and our continued focus on cost reduction resulted in lower operating expenses. The year ended December 31, 2010, was also favorably impacted by an increase in net servicing income; higher gains on the sale of loans; and lower impairments on equity investments, lot option projects, model homes, and foreclosed real estate.

Total financing revenue and other interest income decreased by 12% for the year ended December 31, 2010, compared to 2009. Our International Automotive Finance operations experienced lower consumer and commercial asset levels due to adverse business conditions in Europe and the runoff of wind-down portfolios in certain international countries as we shifted our focus to five core international markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture. A decline in asset levels in our Mortgage operations resulted from asset sales and portfolio runoff. Operating lease revenue (along with the related depreciation expense) at our North American Automotive Finance operations decreased as a result of a net decline in the size of our operating lease portfolio due to our decision in late 2008 to significantly curtail leasing. The decrease was partially offset by lease portfolio remarketing gains due to strong used vehicle prices and higher remarketing volume as well as an increase in consumer and commercial financing revenue related to the addition of non-GM automotive financing business.

Interest expense decreased 6% for the year ended December 31, 2010, compared to 2009. Interest expense decreased as a result of a change in our funding mix with an increased amount of funding coming from deposit liabilities as well as favorable trends in the securitization markets.

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Net servicing income was $1.1 billion for the year ended December 31, 2010, compared to $363 million in 2009. The increase was primarily due to projected cash flow improvements related to slower prepayment speeds as well as higher Home Affordable Modification Program (HAMP) loss mitigation incentive fees compared to prior year unfavorable hedge performance with respect to mortgage servicing rights.

Insurance premiums and service revenue earned decreased 6% for the year ended December 31, 2010, compared to 2009. The decrease was primarily driven by lower earnings from our U.S. vehicle service contracts due to a decrease in domestic written premiums related to lower vehicle sales volume during the period 2007 to 2009. The decrease was partially offset by increased volume in our international operations.

Gain on mortgage and automotive loans increased 58% for the year ended December 31, 2010, compared to 2009. The increase was primarily related to unfavorable valuation adjustments taken during 2009 on our held-for-sale automobile loan portfolios, higher gains on mortgage whole-loan sales and securitizations in 2010 compared to 2009, higher gains on mortgage loan resolutions in 2010, and the recognition of a gain on the deconsolidation of an on-balance sheet securitization. The increase was partially offset by gains on the sale of wholesale automotive financing receivables during 2009 as there were no off-balance sheet wholesale funding transactions during 2010.

We incurred a loss on extinguishment of debt of $123 million for the year ended December 31, 2010, compared to a gain of $665 million for the year ended December 31, 2009. The activity in all periods related to the extinguishment of certain Ally debt that for the year ended December 31, 2010, included $101 million of accelerated amortization of original issue discount.

Other gain on investments was $504 million for the year ended December 31, 2010, compared to $162 million in 2009. The increase was primarily due to higher realized investment gains driven by market repositioning and the sale of our tax-exempt securities portfolio. During the year ended December 31, 2009, we recognized other-than-temporary impairments of $55 million.

Other income, net of losses, increased 183% for the year ended December 31, 2010, compared to 2009. The improvement in 2010 was primarily related to the absence of loan origination income deferral due to the fair value option election for our held-for-sale loans during the third quarter of 2009 and the impact of significant impairments recognized in 2009. In 2009, we recorded impairments on equity investments, lot option projects, model homes, and an $87 million fair value impairment upon the transfer of our resort finance portfolio from held-for-sale to held-for-investment. Also in 2010, we recognized gains on the sale of foreclosed real estate compared to losses and impairments in 2009.

The provision for loan losses was $442 million for the year ended December 31, 2010, compared to $5.6 billion in 2009. Our Mortgage operations provision decreased $4.1 billion from the prior year due to an improved asset mix as a result of the strategic actions taken during the fourth quarter of 2009 to write-down and reclassify certain legacy mortgage loans from held-for-investment to held-for-sale. The decrease in provision was also driven by the continued runoff and improved loss performance of our Nuvell nonprime automotive financing portfolio.

Insurance losses and loss adjustment expenses decreased 17% for the year ended December 31, 2010, compared to 2009. The decrease was primarily driven by lower loss experience in our Mortgage operations captive reinsurance portfolio.

Other operating expenses decreased 27% for the year ended December 31, 2010, compared to 2009, reflecting our continued expense reduction efforts. The improvements were primarily due to lower mortgage representation and warranty expenses, reduced professional service expenses, lower technology and communications expense, lower full-service leasing vehicle maintenance costs, lower insurance commissions, and lower advertising and marketing expenses for the year ended December 31, 2010.

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Management focuses on efficiency ratio as an important measure to assess the performance of our operations. Throughout 2010, expense reduction was a strategic objective of management as we continued to focus on increasing operational efficiency by decreasing expenses as well as streamlining our operations through the disposition or wind-down of non-core businesses and related legacy infrastructure. We remain focused on efforts to control costs to support overall profitability while still investing in key customer-facing areas critical to our core franchises. Additionally, advertising and marketing expenses decreased in 2010 as compared to 2009. These reductions largely reflect higher expenses incurred in 2009 to establish the new Ally brand. Going-forward our advertising and marketing dollars will primarily be directed to customers and initiatives that we believe support our growth strategy.

We recognized consolidated income tax expense of $153 million for the year ended December 31, 2010, compared to $74 million in 2009. The increase was driven primarily by foreign taxes on higher pretax profits not subject to valuation allowance and U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior year losses is restricted.

Global Automotive Services

Results for Global Automotive Services are presented by reportable segment, which includes our North American Automotive Finance operations, our International Automotive Finance operations, and our Insurance operations.

Automotive Finance Operations

Our North American Automotive Finance operations and our International Automotive Finance operations (Automotive Finance operations) provide automotive financing services to consumers and to automotive dealers. For consumers, we offer retail automobile financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

Consumer Automotive Financing

Historically, we have provided two basic types of financing for new and used vehicles: retail automobile contracts (retail contracts) and automobile lease contracts. In most cases, we purchase retail contracts and leases for new and used vehicles from dealers when the vehicles are purchased or leased by consumers. In a number of markets outside the United States, we are a direct lender to the consumer. Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. In connection with lease contracts, we also recognize a gain or loss on the remarketing of the vehicle at the end of the lease.

The amount we pay a dealer for a retail contract is based on the negotiated purchase price of the vehicle and any other products, such as service contracts, less any vehicle trade-in value and any down payment from the consumer. Under the retail contract, the consumer is obligated to make payments in an amount equal to the purchase price of the vehicle (less any trade-in or down payment) plus finance charges at a rate negotiated between the consumer and the dealer. In addition, the consumer is also responsible for charges related to past-due payments. When we purchase the contract, it is normal business practice for the dealer to retain some portion of the finance charge as income for the dealership. Our agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although we do not own the vehicles we finance through retail contracts, we hold a perfected security interest in those vehicles. Due to funding challenges related to the general economic recession at the time, in January 2009, we ceased new financing through Nuvell, which had focused on nonprime automotive financing primarily through GM-affiliated dealers. More recently, we have begun to prudently expand our nonprime automotive financing volumes.

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With respect to consumer leasing, we purchase leases (and the associated vehicles) from dealerships. The purchase price of consumer leases is based on the negotiated price for the vehicle less any vehicle trade-in and any down payment from the consumer. Under the lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value or down payment) exceeds the projected residual value (including residual support) of the vehicle at lease termination, plus lease charges. The consumer is also generally responsible for charges related to past due payments, excess mileage, excessive wear and tear, and certain disposal fees where applicable. When the lease contract is entered into, we estimate the residual value of the leased vehicle at lease termination. We generally base our determination of the projected residual values on a guide published by an independent publisher of vehicle residual values, which is stated as a percentage of the manufacturer s suggested retail price. These projected values may be upwardly adjusted as a marketing incentive if the manufacturer or Ally considers above-market residual support necessary to encourage consumers to lease vehicles.

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

During 2011, we expanded the Ally Buyer s Choice product on new GM and Chrysler vehicles from Canada to select states in the United States. The Ally Buyer s Choice financing product allows customers to own their vehicle with a fixed rate and payment with the option to sell it to us at a pre-determined point during the contract term and at a pre-determined price.

Consumer automobile leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease losses are primarily limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. North American operating lease accounts past due over 30 days represented 0.67% and 2.36% of the total portfolio at December 31, 2011 and 2010, respectively. We selectively re-entered the U.S. leasing market in 2009 and have continued to support lease volumes since that time.

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

The consumer financing revenue of our Automotive Finance operations totaled $4.0 billion, $3.4 billion, and $3.1 billion in 2011, 2010, and 2009, respectively.

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Consumer Automotive Financing Volume

The following table summarizes our new and used vehicle consumer financing volume and our share of consumer sales.

	Ally consumer automotive financing volume		% Share of consumer sales	
Six months ended June 30, ***(units in thousands)***	**2012**	**2011**	**2012**	**2011**
GM new vehicles				
North America	337	449	32	43
International (excluding China) (a)	199	159	30	25
China (b)	58	54	10	10
Total GM new units financed	594	662		
Chrysler new vehicles				
North America	178	153	26	29
International (excluding China)		1		
Total Chrysler new units financed	178	154		
Other non-GM / Chrysler new vehicles				
North America	45	35		
International (excluding China)	2	2		
China (b)	47	46		
Total other non-GM / Chrysler new units financed	94	83		
Used vehicles				
North America	271	238		
International (excluding China)	21	19		
Total used units financed	292	257		
Total consumer automotive financing volume	1,158	1,156		

(a) Excludes financing volume and GM consumer sales of discontinued operations, as well as GM consumer sales for other countries in which GM operates and in which we have no financing volume.

(b) Represent vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Consumer automotive financing volume remained relatively flat during the six months ended June 30, 2012, compared to the same period in 2011. Lower origination volume at GM was offset by used, Chrysler, and non-GM/Chrysler originations. The decrease in North American GM penetration was due to a change in automotive manufacturers incentive strategy and a decrease in Ally-exclusive incentives. The decrease in North American Chrysler penetration was the result of increased competition, partially offset by an increase in overall Chrysler volume. Increased non-GM/Chrysler and used volume were the result of our continued strategic focus in these markets. The increases and favorable penetration levels in our International operations were primarily due to aggressive GM manufacturer marketing incentive programs coupled with existing Ally campaigns.

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Year ended December 31, *(units in thousands)*	Ally consumer automotive financing volume 2011	2010	2009	% Share of consumer sales 2011	2010	2009
GM new vehicles						
North America	779	694	488	38	40	27
International (excluding China) (a)	360	299	272	28	22	20
China (b)	134	119	74	12	11	11
Total GM new units financed	1,273	1,112	834			
Chrysler new vehicles						
North America	330	322	64	29	38	8
International (excluding China)	1	1				
Total Chrysler new units financed	331	323	64			
Other non-GM / Chrysler new vehicles						
North America	69	33	10			
International (excluding China)	3	4	4			
China (b)	104	89	33			
Total other non-GM / Chrysler new units financed	176	126	47			
Used vehicles						
North America	476	269	142			
International (excluding China)	38	25	22			
China (b)	1					
Total used units financed	515	294	164			
Total consumer automotive financing volume	2,295	1,855	1,109			

(a) Excludes financing volume and GM consumer sales of discontinued operations, as well as GM consumer sales for other countries in which GM operates and in which we have no financing volume.

(b) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Growth in consumer automotive financing volume in 2011, compared to 2010, was primarily driven by higher industry sales. Additionally, the increase in volume during 2011 reflects our continued focus on the used vehicle and diversified markets, as well as lease-related volume. The penetration during 2011 reflects a competitive market environment and a return to normalized levels. The decrease in Chrysler penetration is related to a reduction in automotive manufacturer rate incentive programs. The improved penetration levels for our International operations reflect aggressive manufacturer marketing incentive programs coupled with existing Ally campaigns, the reintroduction of products, and more competitive pricing.

Manufacturer Marketing Incentives

Automotive manufacturers may elect to sponsor incentive programs (on both retail contracts and leases) by supporting finance rates below the standard market rates at which we purchase retail contracts. These marketing incentives are also referred to as rate support or subvention. When automotive manufacturers utilize these marketing incentives, we are compensated at contract inception for the present value of the difference between the customer rate and our standard rates, which we defer and recognize as a yield adjustment over the life of the contract.

GM historically provided lease residual support to provide incentives on leased vehicles by supporting an above-market residual value, referred to as residual support, to encourage consumers to lease vehicles. Residual

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support results in a lower monthly lease payment for the consumer. We may bear a portion of the risk of loss to the extent the value of the lease vehicle upon remarketing is below the projected residual value of the vehicle at the time the lease contract is signed. Under these programs, GM reimburses us to the extent remarketing sales proceeds are less than the residual value set forth in the lease contract and no greater than our standard residual rates. To the extent remarketing sales proceeds are more than the contract residual at termination, we reimburse GM for its portion of the higher residual value.

In addition to the residual support arrangement for leases originated prior to 2009, GM also participates in a risk-sharing arrangement whereby GM shares equally in residual losses to the extent that remarketing proceeds are below our standard residual rates (limited to a floor). Over the past several years, our automotive manufacturing partners have primarily supported leasing products through rate support programs.

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

On November 30, 2006, and in connection with the sale by GM of a 51% interest in Ally, GM and Ally entered into several service agreements that codified the mutually beneficial historic relationship between the companies. One such agreement was the United States Consumer Financing Services Agreement (the Financing Services Agreement). The Financing Services Agreement, among other things, provided that subject to certain conditions and limitations, whenever GM offers vehicle financing and leasing incentives to customers (e.g., lower interest rates than market rates), it would do so exclusively through Ally. This requirement was effective through November 2016, and in consideration for this, Ally paid to GM an annual exclusivity fee and was required to meet certain targets with respect to consumer retail and lease financings of new GM vehicles.

Effective December 29, 2008, and in connection with the approval of our application to become a bank holding company, GM and Ally modified certain terms and conditions of the Financing Services Agreement. Certain of these amendments include the following: (1) for a two-year period, GM can offer retail financing incentive programs through a third-party financing source under certain specified circumstances and, in some cases, subject to the limitation that pricing offered by the third party meets certain restrictions, and after the two-year period GM can offer any such incentive programs on a graduated basis through third parties on a nonexclusive, side-by-side basis with Ally, provided that the pricing of such third parties meets certain requirements; (2) Ally will have no obligation to provide operating lease financing products; and (3) Ally will have no targets against which it could be assessed penalties. The modified Financing Services Agreement will expire on December 31, 2013. After December 31, 2013, GM will have the right to offer retail financing incentive programs through any third-party financing source, including Ally, without restrictions or limitations. A primary objective of the Financing Services Agreement continues to be supporting distribution and marketing of GM products.

On August 6, 2010, we entered into an agreement with Chrysler to be the preferred provider of financial services for Chrysler vehicles. The agreement replaced and superseded the legally binding term sheet that we entered into with Chrysler on April 30, 2009, which contemplated this definitive agreement. We provide retail financing to Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion. Chrysler is obligated to provide us with certain exclusivity privileges including the use of Ally for designated minimum threshold percentages of certain of Chrysler s retail financing subvention programs. The agreement expires on April 30, 2013.

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The following table presents the percentage of retail and lease contracts acquired by us that included rate support from GM.

Six months ended June 30,	**2012**	**2011**
GM subvented volume in North America		
As % of GM North American new retail and lease volume acquired by Ally	65%	49%
As % of total North American new and used retail and lease volume acquired by Ally	26%	25%
GM subvented International (excluding China) volume (a)		
As % of GM International new retail and lease volume acquired by Ally	71%	64%
As % of total International new and used retail and lease volume acquired by Ally	64%	56%
GM subvented volume in China (b)		
As % of GM China new retail and lease volume acquired by Ally	6%	4%
As % of total China new and used retail and lease volume acquired by Ally	3%	2%

(a) Represents subvention for continuing operations only.

(b) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Year ended December 31,	**2011**	**2010**	**2009**
GM subvented volume in North America			
As % of GM North American new retail and lease volume acquired by Ally	53%	51%	69%
As % of total North American new and used retail and lease volume acquired by Ally	25%	27%	48%
GM subvented International (excluding China) volume (a)			
As % of GM International new retail and lease volume acquired by Ally	68%	55%	67%
As % of total International new and used retail and lease volume acquired by Ally	61%	50%	61%
GM subvented volume in China (b)			
As % of GM China new retail and lease volume acquired by Ally	12%	14%	1%
As % of total China new and used retail and lease volume acquired by Ally	7%	8%	1%

(a) Represents subvention for continuing operations only.

(b) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

The following table presents the percentage of Chrysler subvented retail and lease volume acquired by Ally.

Six months ended June 30,	**2012**	**2011**
Chrysler subvented volume in North America		
As % of Chrysler North American new retail and lease volume acquired by Ally	52%	52%
As % of total North American new and used retail and lease volume acquired by Ally	11%	9%

During the six months ended June 30, 2012, North American retail contracts acquired that included rate subvention from GM and Chrysler increased as a percentage of total new retail contracts acquired as compared to the same period in 2011 due to a change in the mix of manufacturer marketing incentives away from non-rate programs. International retail contracts acquired from GM that included rate and residual subvention increased as a result of aggressive GM campaigns in various international markets.

Year ended December 31,	2011	2010	2009
Chrysler subvented volume in North America			
As % of Chrysler North American new retail and lease volume acquired by Ally	52%	57%	39%
As % of total North American new and used retail and lease volume acquired by Ally	10%	14%	4%

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At December 31, 2011, the percentage of North American new retail contracts acquired that included rate subvention from GM increased compared to 2010 primarily due to increases in manufacturer marketing incentives during the first half of 2011. International retail contracts acquired that included rate and residual subvention increased as a result of aggressive GM campaigns in various international markets. North American retail contracts acquired that included rate subvention from Chrysler decreased as a percentage of total new retail contracts acquired as compared to 2010 due to a shift towards non-rate incentive programs.

Servicing

We have historically serviced all retail contracts and leases we retained on-balance sheet. We historically sold a portion of the retail contracts we originated and retained the right to service and earn a servicing fee for our servicing functions. Ally Servicing LLC, a wholly owned subsidiary, performs most servicing activities for U.S. retail contracts and consumer automobile leases.

Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, processing customer requests for account revisions (such as payment extensions and rewrites), maintaining a perfected security interest in the financed vehicle, monitoring vehicle insurance coverage, and disposing of off-lease vehicles. Servicing activities are generally consistent for our Automotive Finance operations; however, certain practices may be influenced by local laws and regulations.

Our U.S. customers have the option to receive monthly billing statements to remit payment by mail or through electronic fund transfers, or to establish online web-based account administration through the Ally Account Center. Customer payments are processed by regional third-party processing centers that electronically transfer payment data to customers accounts.

Servicing activities also include initiating contact with customers who fail to comply with the terms of the retail contract or lease. These contacts typically begin with a reminder notice when the account is 5 to 15 days past due. Telephone contact typically begins when the account is 1 to 15 days past due. Accounts that become 20 to 30 days past due are transferred to special collection teams that track accounts more closely. The nature and timing of these activities depend on the repayment risk of the account.

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the maturity date of the contract by the period of delay. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. During the deferral period, we continue to accrue and collect interest on the loan as part of the deferral agreement. If the customer s financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. Extension and rewrite collection techniques help mitigate financial loss in those cases where management believes the customer will recover from financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Generally, we do not consider extensions that fall within our policy guidelines to represent more than an insignificant delay in payment and, therefore, they are not considered Troubled Debt Restructurings. Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby mitigating the loss. As an indication of the effectiveness of our consumer credit practices, of the total amount outstanding in the U. S. traditional retail portfolio at December 31, 2008, only 11.0% of the extended or rewritten balances were subsequently charged off through December 31, 2011. A three-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. At December 31, 2011, 7.2% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

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Subject to legal considerations, in the United States we normally begin repossession activity once an account becomes greater than 60-days past due. Repossession may occur earlier if management determines the customer is unwilling to pay, the vehicle is in danger of being damaged or hidden, or the customer voluntarily surrenders the vehicle. Approved third-party repossession firms handle repossessions. Normally the customer is given a period of time to redeem the vehicle by paying off the account or bringing the account current. If the vehicle is not redeemed, it is sold at auction. If the proceeds do not cover the unpaid balance, including unpaid earned finance charges and allowable expenses, the resulting deficiency is charged off. Asset recovery centers pursue collections on accounts that have been charged off, including those accounts where the vehicle was repossessed, and skip accounts where the vehicle cannot be located.

At December 31, 2011 and 2010, our total consumer automotive serviced portfolio was $85.6 billion and $78.8 billion, respectively, compared to our consumer automotive on-balance sheet portfolio of $73.2 billion and $60.4 billion at December 31, 2011 and 2010, respectively. Refer to Note 12 to the Consolidated Financial Statements for further information regarding servicing activities.

Remarketing and Sales of Leased Vehicles

When we acquire a consumer lease, we assume ownership of the vehicle from the dealer. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. When vehicles are not purchased by customers or the receiving dealer at scheduled lease termination, the vehicle is returned to us for remarketing through an auction. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the projected residual value determined at the time the lease contract is signed. Automotive manufacturers may share this risk with us for certain leased vehicles, as described previously under *Manufacturer Marketing Incentives*.

The following table summarizes our methods of vehicle sales in the United States at lease termination stated as a percentage of total lease vehicle disposals.

Year ended December 31,	**2011**	**2010**	**2009**
Auction			
Internet	61%	60%	57%
Physical	16%	18%	25%
Sale to dealer	12%	12%	11%
Other (including option exercised by lessee)	11%	10%	7%

We primarily sell our off-lease vehicles through:

Internet auctions We offer off-lease vehicles to dealers and certain other third parties in the United States through our proprietary internet site (SmartAuction). This internet sales program maximizes the net sales proceeds from off-lease vehicles by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We maintain the internet auction site, set the pricing floors on vehicles, and administer the auction process. We earn a service fee for every vehicle sold through SmartAuction.

Physical auctions We dispose of our off-lease vehicles not purchased at termination by the lease consumer or dealer or sold on an internet auction through traditional official manufacturer-sponsored auctions. We are responsible for handling decisions at the auction including arranging for inspections, authorizing repairs and reconditioning, and determining whether bids received at auction should be accepted.

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Commercial Automotive Financing

Automotive Wholesale Dealer Financing

One of the most important aspects of our dealer relationships is supporting the sale of vehicles through wholesale or floorplan financing. We primarily support automotive finance purchases by dealers of new and used vehicles manufactured or distributed before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for dealers purchases of new and used vehicles. During 2011, we financed an average of $21.1 billion of new GM vehicles, representing a 79% share of GM s North American dealer inventory and a 78% share of GM s international dealer inventory in countries where GM operates and we had dealer inventory financing, excluding China. We also financed an average of $7.6 billion of new Chrysler vehicles representing a 65% share of Chrysler s North American dealer inventory. In addition, we financed an average of $2.2 billion of new non-GM/Chrysler vehicles and used vehicles of $3.4 billion.

On August 6, 2010, we entered into an agreement with Chrysler regarding automotive financing products and services for Chrysler dealers. The agreement replaced and superseded the legally binding term sheet that we entered into with Chrysler on April 30, 2009, which contemplated this definitive agreement. We are Chrysler s preferred provider of new wholesale financing for dealer inventory in the United States, Canada, Mexico, and other international markets upon the mutual agreement of the parties. We provide dealer financing and services to Chrysler dealers as we deem appropriate according to our credit policies and in our sole discretion. The agreement expires on April 30, 2013.

Wholesale credit is arranged through lines of credit extended to individual dealers. In general, each wholesale credit line is secured by all vehicles and typically by other assets owned by the dealer or the operator s or owner s personal guarantee. As part of our floorplan financing arrangement, we typically require repurchase agreements with the automotive manufacturer to repurchase new vehicle inventory under certain circumstances. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles, which includes destination and other miscellaneous charges, and with respect to vehicles manufactured by GM and other motor vehicle manufacturers, a price rebate, known as a holdback, from the manufacturer to the dealer in varying amounts stated as a percentage of the invoice price. Interest on wholesale automotive financing is generally payable monthly. Most wholesale automotive financing of our North American Automotive Finance operations is structured to yield interest at a floating rate indexed to the Prime Rate. The wholesale automotive financing of our International Automotive Finance operations is structured to yield interest at a floating rate indexed to benchmark rates specific to the relative country. The rate for a particular dealer is based on, among other things, competitive factors, the amount and status of the dealer s creditworthiness, and various incentive programs.

Under the terms of the credit agreement with the dealer, we may demand payment of interest and principal on wholesale credit lines at any time; however, unless we terminate the credit line or the dealer defaults or the risk and exposure warrant, we generally require payment of the principal amount financed for a vehicle upon its sale or lease by the dealer to the customer.

The commercial wholesale revenue of our Automotive Finance operations totaled $1.5 billion, $1.4 billion, and $1.2 billion in 2011, 2010, and 2009, respectively.

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Commercial Wholesale Financing Volume

The following table summarizes the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles and share of dealer inventory in markets where we operate.

	Average balance		% Share of dealer inventory	
Six months ended June 30, ***(in millions)***	**2012**	**2011**	**2012**	**2011**
GM new vehicles				
North America (a)	$ 16,830	$ 15,962	72	82
International (excluding China) (b) (c)	4,090	3,931	75	77
China (b) (d)	1,612	1,106	81	81
Total GM new vehicles financed	22,532	20,999		
Chrysler new vehicles				
North America (a)	7,783	7,660	59	68
International (excluding China)	20	22		
Total Chrysler new vehicles financed	7,803	7,682		
Other non-GM / Chrysler new vehicles				
North America	2,410	2,128		
International (excluding China)	65	140		
China (d)	7			
Total other non-GM / Chrysler new vehicles financed	2,482	2,268		
Used vehicles				
North America	3,220	3,111		
International (excluding China)	176	157		
Total used vehicles financed	3,396	3,268		
Total commercial wholesale finance receivables	$ 36,213	$ 34,217		

(a) Share of dealer inventory based on a 7 month average of dealer inventory (excludes in-transit units).

(b) Share of dealer inventory based on wholesale financing share of GM shipments.

(c) Excludes commercial wholesale finance receivables and dealer inventory of discontinued and wind-down operations as well as dealer inventory for other countries in which GM operates and we had no commercial wholesale finance receivables.

(d) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Commercial wholesale financing average volume increased for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to growing dealer inventories required to support increasing global automobile sales. North American GM and Chrysler wholesale penetration decreased for the six months ended June 30, 2012, compared to the same period in 2011, due to increased competition in the wholesale marketplace.

Year ended December 31, *($ in millions)*	Average balance 2011	2010	2009	% Share of dealer inventory 2011	2010	2009
GM new vehicles						
North America (a)	$ 15,810	$ 14,948	$ 17,107	79	84	84
International (excluding China) (b)(c)	3,969	3,437	3,659	78	82	91
China (b) (d)	1,287	1,075	573	81	81	80
Total GM new vehicles financed	21,066	19,460	21,339			
Chrysler new vehicles						
North America (a)	7,614	5,793	1,762	65	71	25
International	22	38	27			
Total Chrysler new vehicles financed	7,636	5,831	1,789			
Other non-GM / Chrysler new vehicles						
North America	2,078	1,951	1,741			
International (excluding China)	120	94	94			
China (d)			5			
Total other non-GM / Chrysler new vehicles financed	2,198	2,045	1,840			
Used vehicles						
North America	3,206	3,044	2,401			
International (excluding China)	160	85	142			
Total used vehicles financed	3,366	3,129	2,543			
Total commercial wholesale finance receivables	$ 34,266	$ 30,465	$ 27,511			

(a) Share of dealer inventory based on a 13 month average of dealer inventory (excludes in-transit units).

(b) Share of dealer inventory based on wholesale financing share of GM shipments.

(c) Excludes commercial wholesale finance receivables and dealer inventory of discontinued and wind-down operations as well as dealer inventory for other countries in which GM operates and we had no commercial wholesale finance receivables.

(d) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Commercial wholesale financing average volume increased during 2011, compared to 2010, primarily due to increasing global automotive sales and the corresponding increase in dealer inventories in virtually every market. North American GM and Chrysler wholesale penetration decreased for the year ended December 31, 2011, compared to 2010, due to increased competition in the wholesale financing marketplace.

Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term loans and automotive fleet financing. Automotive dealer term loans are loans that we make to dealers to finance other aspects of the dealership business. These loans are typically secured by real estate, other dealership assets, and are personally guaranteed by the individual owners of the dealership. Automotive fleet financing may be obtained by dealers, their affiliates, and other companies and be used to purchase vehicles, which they lease or rent to others.

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Servicing and Monitoring

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

Dealers are assigned a risk rating based on various factors, including capital sufficiency, operating performance, financial outlook, and credit and payment history. The risk rating affects the amount of the line of credit, the determination of further advances, and the management of the account. We monitor the level of borrowing under each dealer s account daily. When a dealer s balance exceeds the credit line, we may temporarily suspend the granting of additional credit or increase the dealer s credit line or take other actions following evaluation and analysis of the dealer s financial condition and the cause of the excess.

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

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North American Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our North American Automotive Finance operations for the periods shown. North American Automotive Finance operations consist of automotive financing in the United States and Canada and include the automotive activities of Ally Bank and ResMor Trust. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Six months ended June 30,		
($ in millions)	**2012**	2011	**Favorable/ (unfavorable) % change**
Net financing revenue			
Consumer	$ 1,573	$ 1,374	14
Commercial	652	655	
Loans held-for-sale	11		n/m
Operating leases	1,110	1,245	(11)
Other interest income	35	46	(24)
Total financing revenue and other interest income	3,381	3,320	2
Interest expense	1,163	1,186	2
Depreciation expense on operating lease assets	606	438	(38)
Net financing revenue	1,612	1,696	(5)
Other revenue			
Servicing fees	60	87	(31)
Gain on automotive loans, net	39	15	160
Other income	94	121	(22)
Total other revenue	193	223	(13)
Total net revenue	1,805	1,919	(6)
Provision for loan losses	94	101	7
Noninterest expense			
Compensation and benefits expense	227	227	
Other operating expenses	411	514	20
Total noninterest expense	638	741	14
Income before income tax expense	$ 1,073	$ 1,077	
Total assets	$ 104,927	$ 90,943	15
Operating data			
Retail Originations	$ 18,544	$ 18,334	1
Lease Originations	3,672	4,289	(14)

n/m = not meaningful

Our North American Automotive Finance operations earned income before income tax expense of $1.1 billion for the six months ended June 30, 2012, compared to $1.1 billion for the six months ended June 30, 2011.

Consumer financing revenue increased 14% for the six months ended June 30, 2012, respectively, compared to the same period in 2011. The increase was due to an increase in consumer asset levels primarily to strong loan origination volume, resulting primarily from increased volumes of used vehicle automotive financing and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods.

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Additionally, we continue to prudently expand our nonprime origination volume. The increase in consumer revenue from volume was partially offset by lower yields as a result of the competitive market environment for automotive financing.

Operating lease revenue decreased 11% for the six months ended June 30, 2012, compared to the same period in 2011. The decrease was primarily due to a change in portfolio mix associated with the continued wind-down of legacy lease assets.

Depreciation expense on operating lease assets increased 38% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to lower lease remarketing gains as a result of lower lease termination volume.

Servicing fee income decreased 31% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to lower levels of off-balance sheet retail serviced assets.

Gains on the sale of automotive loans increased $24 million for the six months ended June 30, 2012, compared to the same period in 2011, driven by the sale of approximately $2.0 billion of retail automotive loans during the six months ended June 30, 2012 compared to approximately $1.3 billion during the six months ended June 30, 2011. We continue to opportunistically utilize whole-loan sales as a source of funding.

Other income decreased 22% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to lower remarketing fee income driven by lower remarketing volumes through our proprietary SmartAuction platform.

The provision for loan losses was $94 million for the six months ended June 30, 2012, compared to $101 million for the same period in 2011. The decrease for the six months ended June 30, 2012, was primarily due to lower net charge-offs as a result of continued strong overall portfolio credit quality and favorable pricing in the used vehicle market, as well as continued favorable trends in the commercial portfolio, partially offset by continued growth in the consumer and commercial portfolios.

Other operating expenses decreased 20% for the six months ended June 30, 2012, compared to the same period in 2011. The decrease was primarily driven by favorable state and local tax expense, lower expense related to automotive manufacturer exclusivity arrangements, and lower costs associated with reduced lease termination volumes, including lower vehicle remarketing expenses.

Year ended December 31, *($ in millions)*	2011	2010	2009	Favorable/ (unfavorable) 2011-2010 % change	Favorable/ (unfavorable) 2010-2009 % change
Net financing revenue					
Consumer	$ 2,831	$ 2,339	$ 1,804	21	30
Commercial	1,325	1,425	1,136	(7)	25
Loans held-for-sale	5	112	320	(96)	(65)
Operating leases	2,283	3,570	5,408	(36)	(34)
Other interest income	106	149	269	(29)	(45)
Total financing revenue and other interest income	6,550	7,595	8,937	(14)	(15)
Interest expense	2,367	2,377	2,363		(1)
Depreciation expense on operating lease assets	1,028	1,897	3,500	46	46
Net financing revenue	3,155	3,321	3,074	(5)	8
Other revenue					
Servicing fees	161	226	238	(29)	(5)
Gain on automotive loans, net	48	249	220	(81)	13
Other income	224	215	299	4	(28)
Total other revenue	433	690	757	(37)	(9)
Total net revenue	3,588	4,011	3,831	(11)	5
Provision for loan losses	93	286	611	67	53
Noninterest expense					
Compensation and benefits expense	434	387	435	(12)	11
Other operating expenses	955	994	1,161	4	14
Total noninterest expense	1,389	1,381	1,596	(1)	13
Income before income tax expense	$ 2,106	$ 2,344	$ 1,624	(10)	44
Total assets	$ 96,971	$ 81,893	$ 68,282	18	20
Operating data					
Retail originations	$ 36,528	$ 31,471	$ 19,519	16	61
Lease originations	7,316	3,888	259	88	n/m

n/m = not meaningful

2011 Compared to 2010

Our North American Automotive Finance operations earned income before income tax expense of $2.1 billion for the year ended December 31, 2011, compared to $2.3 billion for the year ended December 31, 2010. Results for the year ended December 31, 2011, were primarily driven by less favorable remarketing results in our operating lease portfolio, due primarily to lower lease terminations and the absence of gains on the sale of automotive loans due to the expiration of our forward flow agreements during the fourth quarter of 2010. These declines were partially offset by increased consumer financing revenue driven by strong loan origination volume related primarily to improvement in automotive industry sales, the growth in used automobile financings, and a lower loan loss provision due to an improved credit mix and improved consumer credit performance.

Consumer financing revenue increased 21% for the year ended December 31, 2011, compared to 2010, due to an increase in consumer asset levels primarily related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention. Additionally, we continue to prudently expand our nonprime origination volume and introduce innovative finance products to the marketplace. The increase in consumer revenue was partially offset by lower yields as a result of an increasingly competitive market environment and a change in the consumer asset mix, including the runoff of the higher-yielding Nuvell nonprime automotive financing portfolio.

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Loans held-for-sale financing revenue decreased $107 million for the year ended December 31, 2011, compared to 2010, due to the expiration of forward flow agreements during the fourth quarter of 2010. Subsequent to the expiration of these agreements, consumer loan originations have largely been retained on-balance sheet utilizing deposit funding from Ally Bank and on-balance sheet securitization transactions.

Operating lease revenue decreased 36% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and depreciation expense declined due to a lower average operating lease portfolio balance. Depreciation expense was also impacted by lower remarketing gains due primarily to a decline in lease termination volume. In 2008 and 2009, we significantly curtailed our lease product offerings in the United States and Canada. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease volume since that time.

Servicing fee income decreased $65 million for the year ended December 31, 2011, compared to 2010, due to lower levels of off-balance sheet retail serviced assets driven by a reduction of new whole-loan sales subsequent to the expiration of our forward flow agreements in the fourth quarter of 2010.

Net gain on automotive loans decreased $201 million for the year ended December 31, 2011, compared to 2010, primarily due to the expiration of our forward flow agreements during the fourth quarter of 2010. In prior years, we have opportunistically utilized whole-loan sales as part of our funding strategy; however, during 2011, we have primarily utilized deposit funding and on-balance sheet funding transactions.

The provision for loan losses was $93 million for the year ended December 31, 2011, compared to $286 million in 2010. The decrease was primarily due to improved credit quality that drove improved loss performance in the consumer loan portfolio, continued runoff of our Nuvell nonprime consumer portfolio, and continued strength in the used vehicle market, partially offset by continued growth in the consumer loan portfolio.

2010 Compared to 2009

Our North American Automotive Finance operations earned income before income tax expense of $2.3 billion for the year ended December 31, 2010, compared to $1.6 billion for the year ended December 31, 2009. Results for the year ended December 31, 2010, were favorably impacted by increased loan origination volume related to improved economic conditions, the growth of our non-GM consumer and commercial automotive financing business, and favorable remarketing results, which reflected continued strength in the used vehicle market.

Consumer financing revenue (combined with interest income on consumer loans held-for-sale) increased 15% during the year ended December 31, 2010, primarily due to an increase in consumer loan origination volume as a result of improved economic conditions and increased volume from non-GM channels. Additionally, consumer asset levels increased due to the consolidation of consumer loans included in securitization transactions that were previously classified as off-balance sheet. Refer to Note 11 to the Consolidated Financial Statements for further information regarding the consolidation of these assets. The increase was partially offset by a change in the consumer asset mix including the runoff of the higher-yielding Nuvell nonprime automotive financing portfolio.

Commercial revenue increased 25%, compared to the year ended December 31, 2009, primarily due to an increase in dealer wholesale funding driven by improved economic conditions, the growth of non-GM wholesale floorplan business, and the recognition of all wholesale funding transactions on-balance sheet in 2010 compared to certain transactions that were off-balance sheet in 2009.

Operating lease revenue (along with the related depreciation expense) decreased 12% for the year ended December 31, 2010, compared to 2009, primarily due to a decline in the size of our operating lease portfolio

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resulting from our decision in late 2008 to significantly curtail leasing. This decision was based on the significant decline in used vehicle prices that resulted in increasing residual losses during 2008 and an impairment of our lease portfolio. During the latter half of 2009, we selectively re-entered the U.S. leasing market with more targeted lease product offerings. As a result, runoff of the legacy portfolio exceeded new origination volume. The decrease in operating lease revenue was largely offset by an associated decline in depreciation expense, which was also favorably impacted by remarketing gains as a result of continued strength in the used vehicle market and higher remarketing volume.

Other interest income decreased 45% for the year ended December 31, 2010, compared to 2009, primarily due to a change in funding mix including lower levels of off-balance sheet securitizations.

Net gain on automotive loans increased 13% for the year ended December 31, 2010, compared to 2009. The increase was primarily related to higher levels of retail whole-loan sales in 2010, higher gains on the sale of loans during 2010, and unfavorable valuation adjustments taken during 2009 on the held-for-sale portfolio. The increase was partially offset by higher gains on the sale of wholesale receivables during 2009 as there were no off-balance sheet wholesale funding transactions during 2010.

Other income decreased 28% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to unfavorable swap mark-to-market activity related to the held-for-sale loan portfolio in 2010.

The provision for loan losses was $286 million for the year ended December 31, 2010, compared to $611 million in 2009. The decrease was primarily driven by the continued runoff of our Nuvell portfolio and improved loss performance in the consumer loan portfolio reflecting improved pricing in the used vehicle market and higher credit quality of more recent originations.

Noninterest expense decreased 13% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to lower compensation and benefits expense primarily related to lower employee headcount resulting from rightsizing the cost structure with business volumes along with further productivity improvements, unfavorable foreign-currency movements during the year ended December 31, 2009, and lower IT and professional services costs due to continued focus on cost reduction.

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International Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our International Automotive Finance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments and include eliminations of balances and transactions among our North American Automotive Finance operations and Insurance operations.

	Six months ended June 30,		
($ in millions)	**2012**	**2011**	**Favorable/ (unfavorable) % change**
Net financing revenue			
Consumer	$ 602	$ 601	
Commercial	183	215	(15)
Operating leases	9	8	13
Other interest income	32	49	(35)
Total financing revenue and other interest income	826	873	(5)
Interest expense	486	527	8
Depreciation expense on operating lease assets	5	8	38
Net financing revenue	335	338	(1)
Other revenue			
Other income	125	114	10
Total other revenue	125	144	10
Total net revenue	460	452	2
Provision for loan losses	62	44	(41)
Noninterest expense			
Compensation and benefits expense	87	88	1
Other operating expenses	194	220	12
Total noninterest expense	281	308	9
Income from continuing operations before income tax expense	$ 117	$ 100	17
Total assets	$ 15,467	$ 16,582	(7)
Operating data			
Consumer originations (a) (b)	$ 4,599	$ 4,165	10

(a) Represents consumer originations for continuing operations only.

(b) Includes vehicles financed through our joint venture GMAC-SAIC, which is recorded as other income. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $117 million for the six months ended June 30, 2012, compared to $100 million for the six months ended June 30, 2011. The increase was primarily a result of lower operating expenses driven by lower legal costs in Latin America, our continued focus on cost reduction, and higher income earned from our China joint venture. The increase was partially offset by higher provision for loan losses due to unfavorable credit performance in certain countries in Latin America and unfavorable movements in foreign-currency exchange rates.

Total financing revenue and other interest income decreased $47 million for the six months ended June 30, 2012, compared to the same period in 2011. The decrease was primarily due to unfavorable movements in foreign-currency exchange rates, which were partially offset by stronger consumer originations, primarily in Brazil.

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Interest expense decreased $41 million for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to movements in foreign-currency exchange rates.

Other income increased 10% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to higher earnings from our China joint venture.

The provision for loan losses increased $18 million for the six months ended June 30, 2012, compared to the same period in 2011. The increase in provision is related to increased reserves as a result of a cautious economic outlook primarily in Latin America.

Other operating expenses decreased 12% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to lower legal expenses in Latin America.

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**Favorable/ (unfavorable) 2011-2010 % change**	**Favorable/ (unfavorable) 2010-2009 % change**
Net financing revenue					
Consumer	$ 1,193	$ 1,075	$ 1,271	11	(15)
Commercial	422	379	490	11	(23)
Loans held-for-sale		15	2	(100)	n/m
Operating leases	15	21	25	(29)	(16)
Other interest income	92	59	55	56	7
Total financing revenue and other interest income	1,722	1,549	1,843	11	(16)
Interest expense	1,050	885	1,118	(19)	21
Depreciation expense on operating lease assets	10	10	18		44
Net financing revenue	662	654	707	1	(7)
Other revenue					
Gain (loss) on automotive loans, net		21	(76)	(100)	128
Other income	239	219	192	9	14
Total other revenue	239	240	116		107
Total net revenue	901	894	823	1	9
Provision for loan losses	65	54	230	(20)	77
Noninterest expense					
Compensation and benefits expense	172	155	183	(11)	15
Other operating expenses	454	480	512	5	6
Total noninterest expense	626	635	695	1	9
Income (loss) from continuing operations before income tax expense	$ 210	$ 205	$ (102)	2	n/m
Total assets	$ 15,505	$ 15,979	$ 21,802	(3)	(27)
Operating data					
Consumer originations (a) (b)	$ 9,427	$ 7,612	$ 5,710	24	33

n/m = not meaningful

(a) Represents consumer originations for continuing operations only.

(b) Includes vehicles financed through our joint venture GMAC-SAIC, which is recorded as other income. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

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2011 Compared to 2010

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $210 million during the year ended December 31, 2011, compared to $205 million during the year ended December 31, 2010. Results for 2011 were favorably impacted by movements in foreign-currency exchange rates on the consumer portfolio and strong consumer loan originations in Brazil, partially offset by an increase in compensation and benefits expense and an increase in provision for loan losses.

Total financing revenue and other interest income increased 11% for the year ended December 31, 2011, compared to 2010, primarily due to movements in foreign-currency exchange rates on the consumer portfolio and strong consumer loan originations.

Interest expense increased 19% for the year ended December 31, 2011, compared to 2010, primarily due to an increase in funding costs, movement in foreign-currency exchange rates, and growing asset balances in Brazil.

Net gain on automotive loans decreased $21 million for the year ended December 31, 2011, compared to 2010. The decrease is attributable to the partial release of the lower-of-cost or market adjustments on loans held-for-sale in 2010.

Other income increased 9% for the year ended December 31, 2011, compared to 2010, primarily due to higher earnings from the China joint venture in 2011 driven by an increase in originations.

The provision for loan losses was $65 million for the year ended December 31, 2011, compared to $54 million in 2010. The increase is primarily due to an increase in specific commercial loan reserves during the first quarter of 2011, partially offset by favorable loss performance on the consumer portfolio in Europe.

Total noninterest expense decreased $9 million for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower other operating expenses resulting from a continued focus on streamlining operations. This decrease was offset primarily by unfavorable movements in foreign-currency exchange rates and an increase in headcount due to growth in certain countries, such as Brazil.

2010 Compared to 2009

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $205 million during the year ended December 31, 2010, compared to a loss from continuing operations before income tax expense of $102 million during the year ended December 31, 2009. Results for 2010 were favorably impacted by lower provision for loan losses and lower restructuring charges on wind-down operations.

Total financing revenue and other interest income decreased 16% for the year ended December 31, 2010, compared to 2009, primarily due to decreases in consumer and commercial asset levels as the result of adverse business conditions in Europe and the runoff of wind-down portfolios.

Interest expense decreased 21% for the year ended December 31, 2010, compared to 2009, primarily due to reductions in borrowing levels consistent with a lower asset base.

Depreciation expense on operating lease assets decreased 44% for the year ended December 31, 2010, compared to 2009, primarily due to the continued runoff of the full-service leasing portfolio.

Net gain on automotive loans was $21 million for the year ended December 31, 2010, compared to a net loss of $76 million for the year ended December 31, 2009. The losses for the year ended December 31, 2009, were due primarily to lower-of-cost or market adjustments on certain loans held-for-sale in certain wind-down operations. The gains for the year ended December 31, 2010, were primarily due to the partial release of lower-of-cost or market adjustments on loans held-for-sale in wind-down operations due to improved market values.

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The provision for loan losses was $54 million for the year ended December 31, 2010, compared to $230 million in 2009. The decrease was primarily due to improved loss performance on the consumer portfolio reflecting higher origination quality in 2009 and 2010 and the improving financial position of our dealer customers in Europe.

Noninterest expense decreased 9% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to lower compensation and benefits expense primarily related to lower employee headcount resulting from restructuring activities, unfavorable foreign-currency movements during the year ended December 31, 2009, and lower IT and professional service costs due to continued focus on cost reduction.

Insurance

Premium and Service Revenue Written

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

	Six months ended June 30,	
($ in millions)	**2012**	**2011**
Vehicle service contracts		
New retail	$ 204	$ 183
Used retail	267	266
Reinsurance	(62)	(49)
Total vehicle service contracts	409	400
Wholesale	51	52
Other finance and insurance (a)	73	71
North American operations	533	523
International operations	226	248
Total	$ 759	$ 771

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, and other ancillary products.

Insurance premiums and service revenue written was $759 million for the six months ended June 30, 2012, compared to $771 million for the same period in 2011. Insurance premiums and service revenue written decreased due to lower volume in our international business partially offset by higher written premiums in our U.S. vehicle service contract products. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during the six months ended June 30, 2012, will be recognized as income in future periods.

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**
Vehicle service contracts			
New retail	$ 375	$ 315	$ 281
Used retail	514	517	468
Reinsurance	(103)	(91)	(84)
Total vehicle service contracts	786	741	665
Wholesale	115	103	100
Other finance and insurance (a)	133	113	77

North American operations	1,034	957	842
International operations (b)	452	503	476
Total	$ 1,486	$ 1,460	$ 1,318

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(a) Other finance and insurance includes GAP coverage, excess wear and tear, other ancillary products, and wind-down.

(b) International operations for the year ended December 31, 2010 and December 31, 2009 included $67 million and $126 million, respectively, of written premium from certain international insurance operations that were sold during the fourth quarter of 2010.

Insurance premiums and service revenue written was $1.5 billion, $1.5 billion, and $1.3 billion for the years ended December 31, 2011, 2010, and 2009, respectively. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the expected cost pattern. As such, the majority of earnings from vehicle service contracts written will be recognized as income in future periods. Insurance premiums and service revenue written increased each year primarily due to higher written premiums in our U.S. dealership-related products, particularly our vehicle service contract products.

Dealers who receive wholesale financing are eligible for wholesale insurance incentives, such as automatic eligibility and increase financial incentives within our rewards program.

Underwriting and Risk Management

In underwriting our vehicle service contracts and insurance policies, we assess the particular risk involved, including losses and loss adjustment expenses, and determine the acceptability of the risk as well as the categorization of the risk for appropriate pricing. We base our determination of the risk on various assumptions tailored to the respective insurance product. With respect to vehicle service contracts, assumptions include the quality of the vehicles produced, the price of replacement parts, repair labor rates in the future, and new model introductions.

In some instances, ceded reinsurance is used to reduce the risk associated with volatile businesses, such as catastrophe risk in U.S. dealer vehicle inventory insurance. Our commercial products business is covered by traditional catastrophe protection, aggregate stop loss protection, and an extension of catastrophe coverage for hurricane events. In addition, loss control techniques, such as hail nets or storm path monitoring to assist dealers in preparing for severe weather, help to mitigate loss potential.

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

Cash and Investments

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

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

December 31, ***($ in millions)***	**June 30, 2012**	**2011**	**2010**
Cash			
Noninterest-bearing cash	$ 206	$ 211	$ 28
Interest-bearing cash	1,105	629	1,168
Total cash	1,311	840	1,196
Available-for-sale securities			
Debt securities			
U.S. Treasury and federal agencies	202	496	219
Foreign government	754	678	744
Mortgage-backed	704	590	826
Asset-backed	8	95	11
Corporate debt	1,344	1,491	1,559
Other debt	15	23	
Total debt securities	3,027	3,373	3,359
Equity securities	1,151	1,054	796
Total available-for-sale securities	4,178	4,427	4,155
Total cash and securities	$ 5,489	$ 5,267	$ 5,351

Loss Reserves

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, we maintain reserves for reported losses, losses incurred but not reported, and loss adjustment expenses. Refer to the Critical Accounting Estimates section of this MD&A and Note 18 to the Consolidated Financial Statements for further discussion. The estimated values of our prior reported loss reserves and changes to the estimated values are routinely monitored by credentialed actuaries. Our reserve estimates are regularly reviewed by management; however, since the reserves are based on estimates and numerous assumptions, the ultimate liability may differ from the amount estimated.

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Results of Operations

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

	Six months ended June 30,		
($ in millions)	**2012**	**2011**	**Favorable/ (unfavorable) % change**
Insurance premiums and other income			
Insurance premiums and service revenue earned	$ 730	$ 788	(7)
Investment income	129	149	(13)
Other income	40	31	29
Total insurance premiums and other income	899	968	(7)
Expense			
Insurance losses and loss adjustment expenses	360	378	5
Acquisition and underwriting expense			
Compensation and benefits expense	49	51	4
Insurance commissions expense	227	244	7
Other expenses	96	92	(4)
Total acquisition and underwriting expense	372	387	4
Total expense	732	765	4
Income from continuing operations before income tax expense	$ 167	$ 203	(18)
Total assets	$ 8,237	$ 8,533	(3)
Insurance premiums and service revenue written	$ 759	$ 771	(2)
Combined ratio (a)	96.4%	94.6%	

(a) Management uses a combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

Our Insurance operations earned income from continuing operations before income tax expense of $167 million for the six months ended June 30, 2012, compared to $203 million for the six months ended June 30, 2011. The decrease was primarily attributable to lower insurance premiums and service revenue earned from our U.S. vehicle service contracts and lower investment income.

Insurance premiums and service revenue earned decreased 7% for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to declining U.S. vehicle service contracts written between 2007 and 2009.

Investment income totaled $129 million for the six months ended June 30, 2012, compared to $149 million for the same period in 2011. The decrease was primarily due to lower realized investment gains. The fair value of the investment portfolio was $4.2 billion and $4.6 billion at June 30, 2012 and 2011, respectively.

Other income increased $9 million for the six months ended June 30, 2012, compared to the same period in 2011, primarily due to a gain on the sale of our Canadian personal lines agency during the second quarter of 2012.

Insurance losses and loss adjustment expenses totaled $360 million for the six months ended June 30, 2012, compared to $378 million for the six months ended June 30, 2011. The decrease was driven primarily by

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decreased volume of our U.S. extended service contracts and lower non-weather-related losses from our international business. These decrease was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 4% for the six months ended June 30, 2012, compared to the same period in 2011. The decrease was primarily due to lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums.

Year ended December 31, *($ in millions)*	2011	2010	2009	Favorable/ (unfavorable) 2011-2010 % change	Favorable/ (unfavorable) 2010-2009 % change
Insurance premiums and other income					
Insurance premiums and service revenue earned	$ 1,556	$ 1,721	$ 1,817	(10)	(5)
Investment income	252	444	255	(43)	74
Other income	59	75	72	(21)	4
Total insurance premiums and other income	1,867	2,240	2,144	(17)	4
Expense					
Insurance losses and loss adjustment expenses	682	784	825	13	5
Acquisition and underwriting expense					
Compensation and benefits expense	93	94	109	1	14
Insurance commissions expense	500	578	621	13	7
Other expenses	185	222	268	17	17
Total acquisition and underwriting expense	778	894	998	13	10
Total expense	1,460	1,678	1,823	13	8
Income from continuing operations before income tax expense	$ 407	$ 562	$ 321	(28)	75
Total assets	$ 8,036	$ 8,789	$ 10,614	(9)	(17)
Insurance premiums and service revenue written	$ 1,486	$ 1,460	$ 1,318	2	11
Combined ratio (a)	91.3%	94.1%	97.1%		

(a) Management uses combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

2011 Compared to 2010

Our Insurance operations earned income from continuing operations before income tax expense of $407 million for the year ended December 31, 2011, compared to $562 million for the year ended December 31, 2010. The decrease was primarily attributable to lower realized investment gains.

Insurance premiums and service revenue earned was $1.6 billion for the year ended December 31, 2011, compared to $1.7 billion in 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Investment income totaled $252 million for the year ended December 31, 2011, compared to $444 million in 2010. The decrease was primarily due to lower realized investment gains, as well as realizing other-than-temporary impairments of $11 million during 2011.

Insurance losses and loss adjustment expenses totaled $682 million for the year ended December 31, 2011, compared to $784 million in 2010. The decrease was primarily due to lower frequency and severity experienced at our international business and the sale of certain international insurance operations during the fourth quarter of 2010, which was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 13% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums.

2010 Compared to 2009

Our Insurance operations earned income from continuing operations before income tax expense of $562 million for the year ended December 31, 2010, compared to $321 million for the year ended December 31, 2009. The increase was primarily due to higher realized investment gains driven by overall market improvement and reduced expenses.

Insurance premiums and service revenue earned was $1.7 billion for the year ended December 31, 2010, compared to $1.8 billion in 2009. Insurance premiums and service revenue earned decreased primarily due to lower earnings from our U.S. vehicle service contracts due to a decrease in domestic written premiums related to lower vehicle sales volume from 2007 to 2009. The decrease was partially offset by increased volume in our international operations.

Investment income totaled $444 million for the year ended December 31, 2010, compared to $255 million in 2009. The increase was primarily due to higher realized investment gains driven by market repositioning. During the year ended December 31, 2009, we realized other-than-temporary impairments of $55 million. The increase in investment income was also slightly offset by reductions in the average size of the investment portfolio throughout the year and a decrease in the average security investment yield. The fair value of the investment portfolio was $4.2 billion and $4.7 billion at December 31, 2010 and 2009, respectively.

Acquisition and underwriting expense decreased 10% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to lower expenses in our U.S. dealership-related products matching our decrease in earned premiums. The decrease was partially offset by increased expenses within our international operations to match the increase in earned premiums.

Mortgage

Our Mortgage operations include the ResCap legal entity (prior to its deconsolidation from Ally Financial on May 14, 2012) and the mortgage operations of Ally Bank. Refer to Note 1 to the Condensed Consolidated Financial Statements for further details on ResCap.

Loan Production

U.S. Mortgage Loan Production Channels

We have three primary channels for residential mortgage loan production: the purchase of loans in the secondary market (primarily from Ally Bank correspondent lenders), the origination of loans through our direct-lending network, and the origination of loans through our mortgage brokerage network.

- ***Correspondent lender and secondary market purchases*** Loans purchased from correspondent lenders are originated or purchased by the correspondent lenders and subsequently sold to us. All of the purchases from correspondent lenders are conducted through Ally Bank. We qualify and approve any correspondent lenders who participate in the loan purchase programs.

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Direct-lending network Our direct-lending network consists of internet and telephone-based call center operations as well as our retail network. Virtually all of the residential mortgage loans of this channel are brokered to Ally Bank.

Mortgage brokerage network Residential mortgage loans originated through mortgage brokers. We review and underwrite the application submitted by the mortgage broker, approve or deny the application, set the interest rate and other terms of the loan and, upon acceptance by the borrower and the satisfaction of all conditions required by us, fund the loan through Ally Bank. We qualify and approve all mortgage brokers who generate mortgage loans and continually monitor their performance.

The following table summarizes domestic consumer mortgage loan production by channel.

	2012		2011	
Six months ended June 30, ***($ in millions)***	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
Correspondent lender and secondary market purchases	25,427	$ 6,081	90,245	$ 20,488
Direct lending	33,765	6,894	14,789	2,830
Mortgage brokers	5,844	1,564	3,068	873
Total U.S. production by channel	65,036	$ 14,539	108,102	$ 24,191

	2011		2010		2009	
Year ended December 31, ***($ in millions)***	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
Correspondent lender and secondary market purchases	196,964	$ 45,349	263,963	$ 61,465	260,772	$ 56,042
Direct lending	37,743	7,414	36,064	7,586	42,190	8,524
Mortgage brokers	12,018	3,495	2,035	491	607	165
Total U.S. production	246,725	$ 56,258	302,062	$ 69,542	303,569	$ 64,731

The following table summarizes the composition of our domestic consumer mortgage loan production.

	2011		2010		2009	
Year ended December 31, ***($ in millions)***	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
Ally Bank	245,849	$ 56,130	300,738	$ 69,320	299,302	$ 64,001
ResCap	876	128	1,324	222	4,267	730
Total U.S. production	246,725	$ 56,258	302,062	$ 69,542	303,569	$ 64,731

Mortgage Loan Production by Type

Consistent with our focus on GSE loan products, we primarily originate prime conforming and government-insured residential mortgage loans. We define prime as mortgage loans with a FICO score of 660 and above. In addition, we originate and purchase high-quality nonconforming jumbo loans, mostly from correspondent lenders, for the Ally Bank held-for-investment portfolio. Our mortgage loans are categorized as follows.

Prime conforming mortgage loans Prime credit quality first-lien mortgage loans secured by 1-4 family residential properties that meet or conform to the underwriting standards established by the GSEs for inclusion in their guaranteed mortgage securities programs.

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Prime nonconforming mortgage loans Prime credit quality first-lien mortgage loans secured by 1-4 family residential properties that either (1) do not conform to the underwriting standards established by the GSEs because they had original principal amounts exceeding GSE limits, which are commonly referred to as jumbo mortgage loans, or (2) have alternative documentation requirements and property or credit-related features (e.g., higher loan-to-value or debt-to-income ratios) but are otherwise considered prime credit quality due to other compensating factors.

Prime second-lien mortgage loans Open- and closed-end mortgage loans secured by a second or more junior-lien on single-family residences, which include home equity mortgage loans and lines of credit. We ceased originating prime second-lien mortgage loans during 2008.

Government mortgage loans First-lien mortgage loans secured by 1-4 family residential properties that are insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

Nonprime mortgage loans First-lien and certain junior-lien mortgage loans secured by single-family residences made to individuals with credit profiles that do not qualify for a prime loan, have credit-related features that fall outside the parameters of traditional prime mortgage products, or have performance characteristics that otherwise exposes us to comparatively higher risk of loss. Nonprime includes mortgage loans the industry characterizes as subprime, as well as high combined loan-to-value second-lien loans that fell out of our standard loan programs due to noncompliance with one or more criteria. We ceased originating nonprime mortgage loans during 2007.

International loans Consumer mortgage loans originated in Canada and Mexico.

The following table summarizes consumer mortgage loan production by type.

	2012		2011	
Six months ended June 30, ***($ in millions)***	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
Production by product type				
Prime conforming	54,687	$ 11,520	92,072	$ 20,513
Prime nonconforming	1,294	1,044	790	675
Prime second-lien				
Government	9,055	1,975	15,240	3,003
Nonprime				
Total U.S. production by product type	65,036	14,539	108,102	24,191
International production			2,838	595
Total production by product type	65,036	$ 14,539	110,940	$ 24,786

	2011		2010		2009	
Year ended December 31, ***($ in millions)***	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
Prime conforming	209,031	$ 47,511	228,936	$ 53,721	164,780	$ 37,651
Prime nonconforming	2,008	1,679	1,837	1,548	1,236	992
Prime second-lien					3	1
Government	35,686	7,068	71,289	14,273	137,550	26,087

Nonprime						
Total U.S. production	246,725	$ 56,258	302,062	$ 69,542	303,569	$ 64,731
International production	6,832	1,403	7,686	1,503	8,348	1,405
Total production	253,557	$ 57,661	309,748	$ 71,045	311,917	$ 66,136

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U.S. Warehouse Lending

We are a provider of warehouse-lending facilities to correspondent lenders and other mortgage originators in the United States. These facilities enable lenders and originators to finance residential mortgage loans until they are sold in the secondary mortgage loan market. We provide warehouse-lending facilities principally for prime conforming and government mortgage loans. Advances under warehouse-lending facilities are collateralized by the underlying mortgage loans and bear interest at variable rates. At December 31, 2011, we had total warehouse line of credit commitments of $2.8 billion, against which we had $1.9 billion of advances outstanding. We also have $24 million of warehouse-lending receivables outstanding related to other offerings at December 31, 2011. We purchased approximately 35% of the mortgage loans financed by our warehouse-lending facilities in 2011. During the second quarter of 2012, Ally Bank decided to exit the warehouse lending business; and accordingly is not taking on new warehouse lending clients. Ally Bank is committed to an orderly wind-down of these existing activities by the end of the year.

Loans Outstanding

Consumer mortgage loans held-for-sale and consumer mortgage loans held-for-investment as of June 30, 2012, represent loans held by Ally Bank. ResCap was deconsolidated from Ally Financial as of May 14, 2012. Refer to Note 1 to the Condensed Consolidated Financial Statements for further details on ResCap.

Consumer mortgage loans held-for-sale were as follows.

($ in millions)	**June 30, 2012**	**December 31, 2011**	**2010**
Prime conforming	$ 1,225	$ 3,345	$ 5,921
Prime nonconforming		571	674
Prime second-lien		545	634
Government (a)	88	3,294	3,452
Nonprime		561	637
International		17	364
Total (b)	1,313	8,333	11,682
Net premiums (discounts)	26	(221)	(161)
Fair value option election adjustment	38	60	(62)
Lower-of-cost or fair value adjustment		(60)	(48)
Total, net (c)	$ 1,377	$ 8,112	$ 11,411

(a) Includes loans subject to conditional repurchase options of $0 million and $2.3 billion sold to Ginnie Mae-guaranteed securitizations at June 30, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

(b) Includes unpaid principal write-down of $0 million and $1.5 billion at June 30, 2012, and December 31, 2011, respectively. The amounts are write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.

(c) Includes loans subject to conditional repurchase options of $0 million and $106 million sold to off-balance sheet private-label securitizations at June 30, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

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Consumer mortgage loans held-for-investment were as follows.

	June 30,	December 31,	
($ in millions)	2012	2011	2010
Prime conforming	$ 257	$ 278	$ 323
Prime nonconforming	8,213	8,069	8,127
Prime second-lien	1,241	2,200	2,642
Government			
Nonprime		1,349	1,583
International		422	862
Total	9,711	12,318	13,537
Net premiums	43	38	37
Fair value option election adjustment		(1,601)	(1,890)
Allowance for loan losses	(452)	(495)	(556)
Total, net (a)	$ 9,302	$ 10,260	$ 11,128

(a) At June 30, 2012, and December 31, 2011, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled $0 million and $837 million, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

Mortgage Loan Servicing

While we sell most of the residential mortgage loans we originate or purchase, we generally retain the rights to service these loans. The retained mortgage servicing rights consist of primary and master-servicing rights. When we act as primary servicer, we collect and remit mortgage loan payments, respond to borrower inquiries, account for principal and interest, hold custodial and escrow funds for payment of property taxes and insurance premiums, counsel or otherwise work with delinquent borrowers, supervise foreclosures and property dispositions, and generally administer the loans. When we act as master servicer, we collect mortgage loan payments from primary servicers and distribute those funds to investors in mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. Key services in this regard include loan accounting, claims administration, oversight of primary servicers, loss mitigation, bond administration, cash flow waterfall calculations, investor reporting, and tax-reporting compliance. In return for performing primary and master-servicing functions, we receive servicing fees equal to a specified percentage of the outstanding principal balance of the loans being serviced and may also be entitled to other forms of servicing compensation, such as late payment fees or prepayment penalties. Servicing compensation also includes interest income or the float earned on collections that are deposited in various custodial accounts between their receipt and the scheduled/contractual distribution of the funds to investors. Refer to Note 12 to the Consolidated Financial Statements for additional information.

The value of mortgage servicing rights is sensitive to changes in interest rates and other factors. We have developed and implemented an economic hedge program to, among other things, mitigate the overall risk of loss due to a change in the fair value of our mortgage servicing rights. Accordingly, we hedge the change in the total fair value of our mortgage servicing rights. The effectiveness of this economic hedging program may have a material effect on the results of operations. Refer to the Critical Accounting Estimates section of this MD&A and Note 24 to the Consolidated Financial Statements for further discussion.

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As of June 30, 2012, all serviced mortgage assets are held by Ally Bank. ResCap was deconsolidated from Ally Financial as of May 14, 2012. Refer to Note 1 to the Condensed Consolidated Financial Statements for further details on ResCap. The following table summarizes the primary mortgage loan-servicing portfolio.

($ in millions)	**June 30, 2012**	**December 31, 2011**
U.S. primary servicing portfolio		
Prime conforming	$ 123,192	$ 226,239
Prime nonconforming	12,575	47,767
Prime second-lien	1,240	6,871
Government	95	49,027
Nonprime		20,753
International primary servicing portfolio		5,773
Total primary servicing portfolio (a)	$ 137,102	$ 356,430

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled $0 billion and $26.4 billion at June 30, 2012, and December 31, 2011, respectively.

The following table summarizes our primary consumer mortgage loan-servicing portfolio by product category.

December 31, *($ in millions)*	**2011**	**2010**	**2009**
U.S. primary servicing portfolio			
Prime conforming	$ 226,239	$ 220,762	$ 210,914
Prime nonconforming	47,767	52,643	58,103
Prime second-lien	6,871	10,851	14,729
Government	49,027	48,550	40,230
Nonprime	20,753	22,874	25,837
International primary servicing portfolio	5,773	5,087	25,941
Total primary servicing portfolio (a)	$ 356,430	$ 360,767	$ 375,754

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled $26.4 billion, $24.2 billion, and $28.7 billion at December 31, 2011, 2010, and 2009, respectively.

Mortgage Related Matters

Refer to Note 25 to the Condensed Consolidated Financial Statements for information related to these matters.

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Mortgage Operations

Results of Operations

The following table summarizes the operating results for our Mortgage operations excluding discontinued operations for the periods shown. Our Mortgage operations include the ResCap legal entity (prior to its deconsolidation from Ally Financial as of May 14, 2012) and the mortgage operations of Ally Bank. Refer to Note 1 to the Condensed Consolidated Financial Statements for further details on ResCap. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Six months ended June 30,		
($ in millions)	**2012**	**2011**	**Favorable/ (unfavorable) % change**
Net financing revenue			
Total financing revenue and other interest income	$ 440	$ 590	(25)
Interest expense	350	461	24
Net financing revenue	90	129	30
Servicing fees	466	611	(24)
Servicing asset valuation and hedge activities, net	(64)	(192)	67
Total servicing income, net	402	419	(4)
Gain on mortgage loans, net	259	187	39
Other income, net of losses	254	69	n/m
Total other revenue	915	675	36
Total net revenue	1,005	804	25
Provision for loan losses	48	84	43
Noninterest expense			
Compensation and benefits expense	199	201	1
Representation and warranty expense	37	210	82
Other operating expenses	506	391	(29)
Total noninterest expense	742	802	7
Income (loss) from continuing operations before income tax expense	$ 215	$ (82)	n/m
Total assets	$ 17,146	$ 31,323	(45)

n/m = not meaningful

Our Mortgage operations earned income from continuing operations before income tax expense of $215 million for the six months ended June 30, 2012, compared to losses from continuing operations before income tax expense of $82 million for the six months ended June 30, 2011. During 2012 we earned higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs and higher net gains on the sale of mortgage loans. Additionally, we incurred lower representation and warranty expense resulting from the deconsolidation of ResCap during the second quarter of 2012. Refer to Note 1 to the Condensed Consolidated Financial Statements for further information regarding ResCap.

Net financing revenue was $90 million for the six months ended June 30, 2012, compared to $129 million for the same period in 2011. The decreases in net financing revenue were primarily due to the deconsolidation of ResCap during the second quarter of 2012. Additionally, total financing revenue and other interest income decreased during both periods due to lower average yield mix as higher rate Ally Bank mortgage loans run off. Partially offsetting the decreases was lower interest expense related to lower funding costs.

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Total servicing income, net was $402 million for the six months ended June 30, 2012, compared to $419 million for the same period in 2011. The decrease in total servicing income was primarily related to the deconsolidation of ResCap.

The net gain on mortgage loans increased 39% for the six months ended June 30, 2012, compared to the same period in 2011. The increase was primarily due to higher consumer mortgage lending-production and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved gains on specified pooled loans.

Other income, net of losses, was $254 million for the six months ended June 30, 2012, compared to $69 million for the same period in 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage lending-production associated with government-sponsored refinancing programs and a decrease in fair value option election valuation losses resulting from the deconsolidation of ResCap.

The provision for loan losses was $48 million for the six months ended June 30, 2012, compared to $84 million for the same period in 2011. The decrease for the six months ended June 30, 2012, was primarily due to lower net charge-offs in 2012 due to the continued runoff of legacy mortgage assets.

Total noninterest expense decreased 7% for the six months ended June 30, 2012, compared to the same period in 2011. The decrease was primarily driven by lower representation and warranty expense resulting from the deconsolidation of ResCap.

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Year ended December 31, ($ in millions)	2011	2010	2009	Favorable/ (unfavorable) 2011-2010 % change	Favorable/ (unfavorable) 2010-2009 % change
Net financing revenue					
Total financing revenue and other interest income	$ 1,148	$ 1,711	$ 1,878	(33)	(9)
Interest expense	889	1,071	1,228	17	13
Net financing revenue	259	640	650	(60)	(2)
Servicing fees	1,198	1,262	1,230	(5)	3
Servicing asset valuation and hedge activities, net	(789)	(394)	(1,104)	(100)	64
Total servicing income, net	409	868	126	(53)	n/m
Gain on mortgage loans, net	394	990	655	(60)	51
Gain on extinguishment of debt			4		(100)
Other income, net of losses	157	140	(511)	12	127
Total other revenue	960	1,998	274	(52)	n/m
Total net revenue	1,219	2,638	924	(54)	185
Provision for loan losses	150	144	4,271	(4)	97
Noninterest expense					
Compensation and benefits expense	400	326	385	(23)	15
Representation and warranty expense	324	670	1,485	52	55
Other operating expenses	1,094	845	1,045	(29)	19
Total noninterest expense	1,818	1,841	2,915	1	37
(Loss) income before income tax expense	$ (749)	$ 653	$ (6,262)	n/m	n/m
Total assets	$ 33,906	$ 36,786	$ 38,894	(8)	(5)

n/m = not meaningful

2011 Compared to 2010

Our Mortgage operations incurred a loss before income tax expense of $749 million for the year ended December 31, 2011, compared to income before income tax expense of $653 million for the year ended December 31, 2010. The decrease was primarily driven by lower net gains on the sale of mortgage loans, unfavorable servicing asset valuation, net of hedge, lower financing revenue related to a decrease in asset levels, and a $230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters. The decrease was partially offset by lower representation and warranty expense.

Net financing revenue was $259 million for the year ended December 31, 2011, compared to $640 million in 2010. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels related to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

Total servicing income, net was $409 million for the year ended December 31, 2011, compared to $868 million in 2010. The decrease was primarily due to a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. Additionally, 2011 includes a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order.

The net gain on mortgage loans was $394 million for the year ended December 31, 2011, compared to $990 million in 2010. The decrease during 2011 was primarily due to lower margins and production, lower whole-loan

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sales, lower gains on mortgage loan resolutions, and the absence of the 2010 gain on the deconsolidation of an on-balance sheet securitization. Refer to Note 11 to the Consolidated Financial Statements for information on the deconsolidation.

Total noninterest expense decreased 1% for the year ended December 31, 2011, compared to 2010. The decrease was primarily driven by lower representation and warranty expense in 2011 as 2010 included a significant increase in expense to cover anticipated repurchase requests and settlements with key counterparties. The decrease was partially offset by a $230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters, higher loan processing and underwriting fees, and an increase in compensation and benefits expense due to an increase in headcount related to expansion activities in our broker, retail, and servicing operations.

2010 Compared to 2009

Our Mortgage operations earned income before income tax expense of $653 million for the year ended December 31, 2010, compared to a loss before income tax expense of $6.3 billion for the year ended December 31, 2009. The 2010 results from continuing operations were primarily driven by the stabilization of our loan portfolio resulting in a decrease in provision for loan losses, lower representation and warranty expense, and gains on the sale of domestic legacy assets. Additionally we recognized higher net servicing income.

Net financing revenue was $640 million for the year ended December 31, 2010, compared to $650 million in 2009. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to loan sales, on-balance deconsolidations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

Total servicing income, net was $868 million for the year ended December 31, 2010, compared to $126 million in 2009. The increase was primarily due to projected cash flow improvements related to slower prepayment speeds as well as higher HAMP loss mitigation incentive fees compared to prior year unfavorable hedge performance with respect to mortgage servicing rights.

The net gain on mortgage loans was $990 million for the year ended December 31, 2010, compared to $655 million in 2009. The increase was primarily due to higher gains on loan sales in 2010 compared to 2009, higher gains on loan resolutions in 2010, and the recognition of a gain on the deconsolidation of an on-balance sheet securitization. Refer to Note 11 to the Consolidated Financial Statements for information on the deconsolidation. The increase was partially offset by unfavorable mark-to-market movement on the mortgage pipeline and a favorable mark-to-market taken in 2009 on released lower-of-cost or market adjustments related to implementation of fair value accounting on the held-for-sale portfolio.

Other income, net of losses, increased 127% for the year ended December 31, 2010, compared to 2009. The improvement from 2009 was primarily related to the recognition of gains on the sale of foreclosed real estate in 2010 compared to losses and impairments in 2009, impairments and higher losses on trading securities in 2009, and favorable mortgage processing fees related to the absence of loan origination income deferral in 2010 due to the fair value option election for our held-for-sale loans during the third quarter of 2009. Additionally, during the year ended December 31, 2009, we recognized significant impairments on equity investments, lot option projects, and model homes.

The provision for loan losses was $144 million for the year ended December 31, 2010, compared to $4.3 billion in 2009. The provision decreased $4.1 billion due to the improved asset mix as a result of the strategic actions taken during the fourth quarter of 2009 to write down and reclassify certain legacy mortgage loans from held-for-investment to held-for-sale. Additionally, the higher provision in 2009 was driven by significant increases in delinquencies and severity in our domestic mortgage loan portfolio and higher reserves were recognized against our commercial real estate-lending portfolio.

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Total noninterest expense decreased 37% for the year ended December 31, 2010, compared to 2009. The decrease was driven by lower representation and warranty expense related to an increase in reserve in 2009 related to higher repurchase demands and loss severity. The decrease was also impacted by a decrease in compensation and benefits expense related to lower headcount and a decrease in professional services expense related to cost reduction efforts. During 2009, our captive reinsurance portfolio experienced deterioration due to higher delinquencies, which drove higher insurance reserves. The decrease in 2010 was partially offset by unfavorable foreign-currency movements on hedge positions.

Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other primarily consists of our centralized corporate treasury and deposit gathering activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing and treasury ALM activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, and reclassifications and eliminations between the reportable operating segments.

	Six months ended June 30,		
($ in millions)	**2012**	**2011**	**Favorable/ (unfavorable) % change**
Net financing loss			
Total financing revenue and other interest income	$ 81	$ 88	(8)
Interest expense			
Original issue discount amortization	211	556	62
Other interest expense	499	480	(4)
Total interest expense	710	1,036	31
Net financing loss	(629)	(948)	34
Other revenue			
Loss on extinguishment of debt		(64)	100
Other gain on investments, net	60	65	(8)
Other income, net of losses	(34)	131	(126)
Total other revenue	26	132	(80)
Total net loss	(603)	(816)	26
Provision for loan losses	(35)	(66)	(47)
Noninterest expense			
Compensation and benefits expense	302	272	(11)
Other operating expense (a)	1,185	(14)	n/m
Total noninterest expense	1,487	258	n/m
Loss from continuing operations before income tax expense	$ (2,055)	$ (1,008)	(104)
Total assets	$ 32,783	$ 31,508	4

n/m = not meaningful

(a)

Includes a reduction of $386 million for the six months ended June 30, 2012, and $408 million for the six months ended June 30, 2011, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

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The following table summarizes the components of net financing losses for Corporate and Other.

($ in millions)	Six months ended June 30, 2012	2011
Original issue discount amortization		
2008 bond exchange amortization	$ (196)	$ (534)
Other debt issuance discount amortization	(15)	(22)
Total original issue discount amortization (a)	(211)	(556)
Net impact of the funds transfer pricing methodology		
Cost of liquidity	(325)	(352)
Funds-transfer pricing / cost of funds mismatch	(249)	(182)
Benefit of net non-earning assets	118	86
Total net impact of the funds transfer pricing methodology	(456)	(448)
Other (including Commercial Finance Group net financing revenue)	38	56
Total net financing losses for Corporate and Other	$ (629)	$ (948)
Outstanding original issue discount balance	$ 1,992	$ 2,564

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

The following table presents the scheduled remaining amortization of the original issue discount at June 30, 2012.

Year ended December 31, ($ in millions)	2012 (a)	2013	2014	2015	2016	2017 and thereafter (b)	Total
Original issue discount							
Outstanding balance	$ 1,852	$ 1,586	$ 1,393	$ 1,335	$ 1,272	$	
Total amortization (c)	140	266	193	58	63	1,272	$ 1,992
2008 bond exchange amortization (d)	124	241	166	43	53	1,125	1,752

(a) Represents the remaining future original issue discount amortization expense to be recorded during 2012.

(b) The maximum annual scheduled amortization for any individual year is $158 million in 2030 of which $152 million is related to 2008 bond exchange amortization.

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

(d) 2008 bond exchange amortization is included in total amortization.

Loss from continuing operations before income tax expense for Corporate and Other was $2.1 billion for the six months ended June 30, 2012, compared to $1.0 billion for the six months ended June 30, 2011. Corporate and Other s loss from continuing operations before income tax expense is driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios and other unassigned funding costs and unassigned equity.

The higher losses from continuing operations before income tax expense for the six months ended June 30, 2012, were primarily due to a $1.2 billion charge related to the Debtors Chapter 11 filing. Refer to Note 1 to the Condensed Consolidated Financial Statements for additional information related to ResCap. Additionally, the higher losses were impacted by the absence of a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements recognized during 2011.

Partially offsetting the higher losses were decreases in OID amortization expense related to bond maturities and normal monthly amortization. Additionally, we incurred no accelerated amortization of OID for the six months ended June 30, 2012, compared to $50 million for the six months ended June 30, 2011.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $64 million for the six months ended June 30, 2012, compared to $133 million for the six months ended June 30, 2011. The decrease was primarily related to 2012 recoveries of previously charged-off finance receivables and loans having a less favorable impact on provision expense than the 2011 release of specific reserves and a decrease in non-specific loss reserves driven by a decline in the size of the loan portfolio.

Year ended December 31, *($ in millions)*	2011	2010	2009	Favorable/ (unfavorable) 2011-2010 % change	Favorable/ (unfavorable) 2010-2009 % change
Net financing loss					
Total financing revenue and other interest income	$ 138	$ 165	$ (78)	(16)	n/m
Interest expense					
Original issue discount amortization	925	1,204	1,143	23	(5)
Other interest expense	907	1,060	1,239	14	14
Total interest expense	1,832	2,264	2,382	19	5
Net financing loss	(1,694)	(2,099)	(2,460)	19	15
Other revenue					
(Loss) gain on extinguishment of debt	(64)	(123)	661	48	(119)
Other gain on investments, net	119	146	85	(18)	72
Other income, net of losses	135	(65)	194	n/m	(134)
Total other revenue (expense)	190	(42)	940	n/m	(104)
Total net expense	(1,504)	(2,141)	(1,520)	30	(41)
Provision for loan losses	(89)	(42)	491	112	109
Noninterest expense					
Compensation and benefits expense	475	614	405	23	(52)
Other operating expense	17	(88)	74	(119)	n/m
Total noninterest expense	492	526	479	6	(10)
Loss from continuing operations before income tax expense	$ (1,907)	$ (2,625)	$ (2,490)	27	(5)
Total assets	$ 29,641	$ 28,561	$ 32,714	4	(13)

n/m = not meaningful

The following table summarizes the components of net financing losses for Corporate and Other.

At and for the year ended December 31, *($ in millions)*	2011	2010	2009
Original issue discount amortization			
2008 bond exchange amortization	$ (886)	$ (1,158)	$ (1,108)
Other debt issuance discount amortization	(39)	(46)	(35)

Total original issue discount amortization (a)	(925)	(1,204)	(1,143)
Net impact of the funds transfer pricing methodology			
Cost of liquidity	(708)	(617)	(655)
Funds-transfer pricing / cost of funds mismatch	(342)	(391)	(672)
Benefit (cost) of net non-earning assets	186	8	(110)
Total net impact of the funds transfer pricing methodology	(864)	(1,000)	(1,437)
Other (including Commercial Finance Group net financing revenue)	95	105	120
Total net financing losses for Corporate and Other	$ (1,694)	$ (2,099)	$ (2,460)
Outstanding original issue discount balance	$ 2,194	$ 3,169	$ 4,373

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

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The following table presents the scheduled amortization of the original issue discount.

Year ended December 31, *($ in millions)*	2012	2013	2014	2015	2016	2017 and thereafter (a)	Total
Original issue discount							
Outstanding balance	$ 1,844	$ 1,581	$ 1,391	$ 1,334	$ 1,272	$	
Total amortization (b)	350	263	190	57	62	1,272	$ 2,194
2008 bond exchange amortization (c)	320	241	166	43	53	1,125	1,948

(a) The maximum annual scheduled amortization for any individual year is $158 million in 2030 of which $152 million is related to 2008 bond exchange amortization.

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

(c) 2008 bond exchange amortization is included in total amortization.

2011 Compared to 2010

Loss from continuing operations before income tax expense for Corporate and Other was $1.9 billion for the year ended December 31, 2011, compared to $2.6 billion for the year ended December 31, 2010. Corporate and Other s loss from continuing operations before income tax expense for both periods is driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios and other unassigned funding costs and unassigned equity.

The improvement in the loss from continuing operations before income tax expense for the year ended December 31, 2011, was primarily due to a decrease in original issue discount amortization expense related to bond maturities and normal monthly amortization and favorable net impact of the FTP methodology. The net FTP methodology improvement was primarily the result of favorable unallocated interest costs due to lower non-earning assets and unamortized original issue discount balance. Additionally, 2011 was favorably impacted by a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements, a reduction in debt fees driven by the restructuring of our secured facilities and the termination of our automotive forward flow agreements, and by a lower loss on the extinguishment of certain Ally debt (which included accelerated amortization of original issue discount of $50 million for the year ended December 31, 2011, compared to $101 million in 2010).

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $186 million for the year ended December 31, 2011, compared to $177 million for the year ended December 31, 2010. The increase was primarily due to improved efficiencies, continued improvement in portfolio credit quality, and recoveries on previously charged-off accounts. This increase was partially offset by lower commercial revenue primarily due to lower asset levels.

2010 Compared to 2009

Loss from continuing operations before income tax expense for Corporate and Other was $2.6 billion for the year ended December 31, 2010, compared to $2.5 billion for the year ended December 31, 2009. The losses in 2010 and 2009 were driven by $1.2 billion and $1.1 billion of original issue discount amortization expenses primarily related to our 2008 bond exchange and the net impact of our FTP methodology. The unfavorable results for 2010 were also impacted by net derivative activity, higher marketing expenses, and higher FDIC fees. Additionally, we recognized a $123 million loss related to the extinguishment of certain Ally debt, which includes $101 million of accelerated amortization of original issue discount compared to a $661 million gain in the prior year. Partially offsetting the unfavorable results were lower professional and legal fees.

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Our Commercial Finance Group earned income from continuing operations before income tax expense of $177 million for the year ended December 31, 2010, compared to a net loss from continuing operations before income tax expense of $537 million for the year ended December 31, 2009. The increase in income was primarily due to significant provision for loan losses in 2009. The $533 million decrease in provision expense from 2009 was driven by lower specific reserves in both the resort finance portfolio and in our European operations. In addition, we recognized a recovery in 2010 from the sale of the resort finance portfolio. Additionally, the favorable variance was impacted by the absence of an $87 million fair value impairment recognized upon transfer of the resort finance portfolio from held-for-sale to held-for-investment during 2009 and lower interest expense related to a reduction in borrowing levels consistent with a lower asset base.

Cash and Securities

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

($ in millions)	June 30, 2012	December 31, 2011	December 31, 2010
Cash			
Noninterest-bearing cash	$ 1,897	$ 1,768	$ 1,637
Interest-bearing cash	12,896	9,781	7,964
Total cash	14,793	11,549	9,601
Trading assets			
U.S. Treasury			75
Mortgage-backed		589	25
Asset-backed			93
Total trading assets		589	193
Available-for-sale securities			
Debt securities			
U.S. Treasury and federal agencies	676	1,051	3,097
States and political subdivisions		1	2
Foreign government	95	106	499
Mortgage-backed	5,550	6,722	4,973
Asset-backed	2,525	2,520	1,936
Corporate debt			
Other debt (a)	338	305	151
Total debt securities	9,184	10,705	10,658
Equity securities	4	4	
Total available-for-sale securities	9,188	10,709	10,658
Total cash and securities	23,981	$ 22,847	$ 20,452

(a) Includes intersegment eliminations.

Risk Management

Managing the risk to reward trade-off is a fundamental component of operating our businesses. Our risk management process is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage the risk to be within our risk appetite. Ally s primary risks include credit, market, lease residual, operational, liquidity, country and legal and compliance risk.

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Credit risk The risk of loss arising from a borrower not meeting its financial obligations to our firm.

Market risk The risk of loss arising from changes in the fair value of our assets or liabilities (including derivatives) caused by movements in market variables, such as interest rates, foreign-exchange rates, and equity and commodity prices.

Lease Residual risk The risk of loss arising from the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of the values used in establishing the pricing at lease inception.

Operational risk The risk of loss arising from inadequate or failed processes or systems, human factors, or external events.

Liquidity risk The risk that our financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet our financial obligations, and to withstand unforeseen liquidity stress events (see Liquidity Management, Funding, and Regulatory Capital discussion within this MD&A).

Country risk The risk that economic, social and political conditions, and events in foreign countries will adversely affect our financial interests.

Legal and compliance risk The risk of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of conduct and other standards of self-regulatory organizations.

While risk oversight is ultimately the responsibility of the Board, our governance structure starts within each line of business where committees are established to oversee risk in their respective areas. The lines of business are responsible for executing on risk strategies, policies, and controls that are compliant with global risk management policies and with applicable laws and regulations. The line of business risk committees, which report up to the Risk and Compliance Committee, a subcommittee of the Board, monitor the performance within each portfolio and determine whether to amend any risk practices based upon portfolio trends.

In addition, the Global Risk Management and Compliance organizations are accountable for independently monitoring, measuring, and reporting on our various risks. They are also responsible for monitoring that our risks remain within the tolerances established by the Board, developing and maintaining policies, and implementing risk management methodologies.

All lines of business and global functions are subject to full and unrestricted audits by Corporate Audit. Corporate Audit reports to the Ally Audit Committee and is primarily responsible for assisting the Audit Committee in fulfilling its governance and oversight responsibilities. Corporate Audit is granted free and unrestricted access to any and all of our records, physical properties, technologies, management, and employees.

In addition, our Global Loan Review Group provides an independent assessment of the quality of Ally s credit risk portfolios and credit risk management practices. This group reports its findings directly to the Risk and Compliance Committee. The findings of this group help to strengthen our risk management practices and processes throughout the organization.

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Loan and Lease Exposure

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

($ in millions)	June 30, 2012	December 31, 2011	December 31, 2010
Finance receivables and loans			
Global Automotive Services	$ 106,480	$ 100,734	$ 86,888
Mortgage operations	10,969	12,753	13,423
Corporate and Other	2,464	1,268	2,102
Total finance receivables and loans	119,913	114,755	102,413
Held-for-sale loans			
Global Automotive Services	623	425	
Mortgage operations	1,377	8,112	11,411
Corporate and Other		20	
Total held-for-sale loans	2,000	8,557	11,411
Total on-balance sheet loans	$ 121,913	$ 123,312	$ 113,824
Off-balance sheet securitized loans			
Global Automotive Services	$	$	$
Mortgage operations	127,383	326,975	326,830
Corporate and Other			
Total off-balance sheet securitized loans	127,383	$ 326,975	$ 326,830
Operating lease assets			
Global Automotive Services	$ 11,197	$ 9,275	$ 9,128
Mortgage operations			
Corporate and Other			
Total operating lease assets	$ 11,197	$ 9,275	$ 9,128
Serviced loans and leases			
Global Automotive Services	$ 128,980	$ 122,881	$ 114,379
Mortgage operations (a)	137,102	356,430	360,767
Corporate and Other	1,411	1,762	2,448
Total serviced loans and leases	$ 267,493	$ 481,073	$ 477,594

(a) Includes primary mortgage loan-servicing portfolio only.

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle pricing, unemployment levels, and its impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. We primarily originate mortgage loans with the intent to sell them and, as such, retain only a small percentage of the loans that we originate or purchase. Loans that we do not intend to retain are sold to investors, primarily securitizations guaranteed by GSEs. However, we may retain an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure.

Finance receivables and loans Loans that we have the intent and ability to hold for the foreseeable future or until maturity or loans associated with an on-balance sheet securitization classified as secured financing. These loans are recorded at the principal amount outstanding, net of unearned income and premiums and discounts. Probable credit-related losses inherent in our finance receivables and loans

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carried at historical cost are reflected in our allowance for loan losses and recognized in current period earnings. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting our servicing and collection activities (including loan modifications and restructurings), and optimizing our product and geographic concentrations. Additionally, we have elected to carry certain mortgage loans at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and are reflected in current period earnings. We use market-based instruments, such as derivatives, to hedge changes in the fair value of these loans. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Held-for-sale loans Loans that we have the intent to sell. These loans are recorded on our balance sheet at the lower of cost or estimated fair value and are evaluated by portfolio and product type. Changes in the recorded value are recognized in a valuation allowance and reflected in current period earnings. We manage the economic risks of these exposures, including market and credit risks, in various ways including the use of market-based instruments such as derivatives. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Off-balance sheet securitized loans Loans that we transferred off-balance sheet to nonconsolidated variable interest entities. We primarily report this exposure as cash, servicing rights, or retain interests (if applicable). Similar to finance receivables and loans, we manage the economic risks of these exposures, including credit risk, through activities including servicing and collections. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Operating lease assets The net book value of the automobile assets we leased are based on the expected residual value upon remarketing the vehicle at the end of the lease. An impairment to the carrying value of the assets may be deemed necessary if there is an unfavorable and unrecoverable change in the value of the recorded asset. We are exposed to fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and as such, we manage the risks of these exposures at inception by setting minimum lease standards for projected residual values. A valuation allowance is recorded directly against the lease rent receivable balance which is a component of Other Assets. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Serviced loans and leases Loans that we service on behalf of our customers or another financial institution. As such, these loans can be on or off our balance sheet. For our mortgage servicing rights, we record an asset or liability (at fair value) based on whether the expected servicing benefits will exceed the expected servicing costs. Changes in the fair value of the mortgage servicing rights are recognized in current period earnings. We also service consumer automobile loans. We do not record servicing rights assets or liabilities for these loans because we either receive a fee that adequately compensates us for the servicing costs or because the loan is of a short-term revolving nature. We manage the economic risks of these exposures, including market and credit risks, through market-based instruments such as derivatives and securities. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from a borrower in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. To mitigate the risk, we have implemented specific processes across all lines of business utilizing both qualitative and quantitative analyses. Credit risk is monitored by global and line of business committees and by the Risk organization. Together they oversee aspects of the credit decisioning and management processes and monitor that credit risk exposures are managed in a safe-and-sound manner and are within our risk appetite. In addition, our Global Loan Review Group provides an independent assessment of the quality of our credit risk portfolios and credit risk management practices, and directly reports its findings to the Risk and Compliance Committee.

We have policies and practices that are committed to maintaining an independent and ongoing assessment of credit risk and quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, and assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations. In addition, we maintain limits and underwriting guidelines that reflect our risk appetite.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. Our business is primarily focused on consumer automobile loans and leases and mortgage loans in addition to automobile-related commercial lending. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. To mitigate risk concentrations, we may take part in loan sales and syndications.

Additionally, we have implemented numerous initiatives in an effort to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we offer several types of assistance to aid our customers. Loss mitigation includes changing the due date, extending payments, and rewriting the loan terms. We have implemented these actions with the intent to provide the borrower with additional options in lieu of repossessing their vehicle.

For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers.

During the first half of 2012, the U.S. economy continued to expand and the labor market recovered further, but at a slower pace. Within the U.S. automotive portfolio, encouraging trends include seasonally adjusted and annualized industry new vehicle sales above 14 million and strong pricing in used vehicles. Additionally, the housing market continues to show signs of a recovery with home prices increasing on a year-to-year basis. However, we continue to be cautious with the outlook due to weaker global economic growth and potential changes in the U.S. tax policy and federal government spending set to take effect in 2013.

During 2011, the United States financial markets experienced some improvement; however, high unemployment and the distress in the housing market persisted, creating uncertainty for the financial services sector as a whole. During the financial crisis, we saw both the housing and vehicle markets significantly decline, affecting the credit quality for both our consumer and commercial portfolios. However, we have seen signs of economic stabilization in some housing, vehicle, and manufacturing markets and have also seen improvement in our loan portfolio as a result of our proactive credit risk initiatives.

On-balance Sheet Loan Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At June 30, 2012 and December 31, 2011 this primarily included $107.1 billion and $101.2 billion of automobile finance receivables and loans and $12.3 billion and $20.9 billion of mortgage finance receivables and loans, respectively. Within our on-balance sheet portfolio, we have elected to account for certain mortgage loans at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Consolidated Statement of Income.

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During the six months ended June 30, 2012, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations.

The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**
Consumer						
Finance receivables and loans						
Loans at historical cost	$ 77,959	$ 73,452	$ 708	$ 567	$ 4	$ 4
Loans at fair value		835		210		
Total finance receivables and loans	77,959	74,287	708	777	4	4
Loans held-for-sale	2,000	8,537	5	2,820		73
Total consumer loans	79,959	82,824	713	3,597	4	77
Commercial						
Finance receivables and loans						
Loans at historical cost	41,954	40,468	287	339		
Loans at fair value						
Total finance receivables and loans	41,954	40,468	287	339		
Loans held-for-sale		20				
Total commercial loans	41,954	40,488	287	339		
Total on-balance sheet loans	$ 121,913	$ 123,312	$ 1,000	$ 3,936	$ 4	$ 77

(a) Includes nonaccrual troubled debt restructured loans of $326 million and $934 million at June 30, 2012, and December 31, 2011, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. This includes no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2012 and $42 million at December 31, 2011.

Total on-balance sheet loans outstanding at June 30, 2012, decreased $1.4 billion to $121.9 billion from December 31, 2011 reflecting a decrease of $2.9 billion in the consumer portfolio and an increase of $1.5 billion in the commercial portfolio. The decrease in total on-balance sheet loans outstanding was primarily driven by the deconsolidation of ResCap, partially offset by strong automobile consumer loan originations and higher dealer floorplan loans, both primarily due to increased automotive industry sales. Refer to Note 1 to the Condensed Consolidated Financial Statements for additional information related to ResCap.

The total TDRs outstanding at June 30, 2012, decreased $1.1 billion to $832 million from December 31, 2011. The decrease was due to the deconsolidation of ResCap.

Total nonperforming loans at June 30, 2012, decreased $2.9 billion to $1.0 billion from December 31, 2011, reflecting a decrease of $2.9 billion of consumer nonperforming loans and a decrease of $52 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2011, was primarily due to the deconsolidation of ResCap.

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December 31, *($ in millions)*	Outstanding 2011	Outstanding 2010	Nonperforming (a) 2011	Nonperforming (a) 2010	Accruing past due 90 days or more (b) 2011	Accruing past due 90 days or more (b) 2010
Consumer						
Finance receivables and loans						
Loans at historical cost	$ 73,452	$ 62,002	$ 567	$ 768	$ 4	$ 6
Loans at fair value	835	1,015	210	260		
Total finance receivables and loans	74,287	63,017	777	1,028	4	6
Loans held-for-sale	8,537	11,411	2,820	3,273	73	25
Total consumer loans	82,824	74,428	3,597	4,301	77	31
Commercial						
Finance receivables and loans						
Loans at historical cost	40,468	39,396	339	740		
Loans at fair value						
Total finance receivables and loans	40,468	39,396	339	740		
Loans held-for-sale	20					
Total commercial loans	40,488	39,396	339	740		
Total on-balance sheet loans	$ 123,312	$ 113,824	$ 3,936	$ 5,041	$ 77	$ 31

(a) Includes nonaccrual troubled debt restructured loans of $934 million and $684 million at December 31, 2011 and 2010, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. This includes troubled debt restructured loans classified as 90 days past due and still accruing of $42 million and $13 million as December 31, 2011 and December 31, 2010, respectively.

Total on-balance sheet loans outstanding at December 31, 2011, increased $9.5 billion to $123.3 billion from December 31, 2010, reflecting an increase of $8.4 billion in the consumer portfolio and $1.1 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding was primarily driven by increased automobile consumer loan originations which outpaced portfolio runoff, due to improved industry sales and higher GM and Chrysler market share. The increase was partially offset by a decrease in mortgage originations in our consumer mortgage business.

The total troubled debt restructurings (TDRs) outstanding at December 31, 2011, increased $495 million to $1.9 billion from December 31, 2010. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures along with our participation in a variety of government modification programs. Additionally, the implementation of ASU 2011-02, *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring*, contributed to the increase. Refer to Note 1 and Note 9 to the Consolidated Financial Statements for additional information.

Total nonperforming loans at December 31, 2011, decreased $1.1 billion to $3.9 billion from December 31, 2010, reflecting a decrease of $704 million of consumer nonperforming loans and a decrease of $401 million of commercial nonperforming loans. The decrease in nonperforming loans from December 31, 2010, was largely due to improvements within our consumer mortgage and commercial automobile portfolios.

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The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Six months ended June 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	2012	2011	2012	2011
Consumer				
Finance receivables and loans at historical cost	$ 224	$ 273	0.6%	0.8%
Commercial				
Finance receivables and loans at historical cost	(29)	37	(0.1)	0.2
Total finance receivables and loans at historical cost	$ 195	$ 310	0.3	0.6

Net charge-offs were $195 million for the six months ended June 30, 2012, compared to $310 million for the six months ended June 30, 2011. The decline was largely due to recoveries in the commercial portfolio. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

	Net charge-offs		Net charge-off ratios (a)	
Year ended December 31, *($ in millions)*	2011	2010	2011	2010
Consumer				
Finance receivables and loans at historical cost	$ 514	$ 796	0.7%	1.5%
Commercial				
Finance receivables and loans at historical cost	39	402	0.1	1.1
Total finance receivables and loans at historical cost	$ 553	$ 1,198	0.5	1.3

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

The *Consumer Credit Portfolio* and *Commercial Credit Portfolio* discussions that follow relate to consumer and commercial finance receivables and loans recorded at historical cost. Finance receivables and loans recorded at historical cost have an associated allowance for loan losses. Finance receivables and loans measured at fair value were excluded from these discussions since those exposures are not accounted for within our allowance for loan losses.

Consumer Credit Portfolio

Our consumer portfolio primarily consists of automobile loans, first mortgages, and home equity loans (we ceased originating home equity loans in 2009), with a focus on serving the prime secured consumer credit market. Loan losses in our consumer portfolio are influenced by general business and economic conditions including unemployment rates, bankruptcy filings, and home and used vehicle prices. Additionally, our consumer credit exposure is significantly concentrated in automobile lending (primarily through GM and Chrysler dealerships). Due to our subvention relationships, we are able to mitigate some interest income exposure to certain consumer defaults by receiving a rate support payment directly from the automotive manufacturers at origination.

Credit risk management for the consumer portfolio begins with the initial underwriting and continues throughout a borrower s credit cycle. We manage consumer credit risk through our loan origination and underwriting policies, credit approval process, and servicing capabilities. We use credit-scoring models to differentiate the expected default rates of credit applicants enabling us to better evaluate credit applications for

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approval and to tailor the pricing and financing structure according to this assessment of credit risk. We regularly review the performance of the credit scoring models and update them for historical information and current trends. These and other actions mitigate but do not eliminate credit risk. Improper evaluations of a borrower s creditworthiness, fraud, and changes in the applicant s financial condition after approval could negatively affect the quality of our receivables portfolio, resulting in loan losses.

Our servicing activities are another key factor in managing consumer credit risk. Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, and processing customer requests for account revisions (such as payment extensions and refinancings). Servicing activities are generally consistent across our operations; however, certain practices may be influenced by local laws and regulations.

During the six months ended June 30, 2012, the credit performance of the consumer portfolio remained strong as our nonperforming finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans and charge-off rate were relatively stable. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**
Domestic						
Consumer automobile	$ 50,697	$ 46,576	$ 189	$ 139	$	$
Consumer mortgage						
1st Mortgage	7,030	6,867	375	258	2	1
Home equity	2,793	3,102	36	58		
Total domestic	60,520	56,545	600	455	2	1
Foreign						
Consumer automobile	17,439	16,883	108	89	2	3
Consumer mortgage						
1st Mortgage		24		23		
Home equity						
Total foreign	17,439	16,907	108	112	2	3
Total consumer finance receivables and loans	$ 77,959	$ 73,452	$ 708	$ 567	$ 4	$ 4

(a) Includes nonaccrual troubled debt restructured loans of $293 million and $180 million at June 30, 2012, and December 31, 2011, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2012, and December 31, 2011.

Total consumer outstanding finance receivables and loans increased $4.5 billion at June 30, 2012 compared with December 31, 2011. This increase was driven by automobile consumer loan originations, which outpaced portfolio runoff, primarily due to increased industry sales and growth in used and non-GM/Chrysler originations and aggressive GM manufacturer marketing incentive program.

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Total consumer nonperforming finance receivables and loans at June 30, 2012, increased $141 million to $708 million from December 31, 2011, reflecting an increase of $72 million of consumer mortgage nonperforming finance receivables and loans and an increase of $69 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans increased primarily due to increased TDRs as we continue foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information. Nonperforming consumer automotive finance receivables and loans increased due in part to higher outstandings and economic stresses in certain areas in Latin America. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.9% and 0.8% at June 30, 2012 and December 31, 2011, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more decreased $94 million to $689 million at June 30, 2012, compared with December 31, 2011, largely due to normal seasonal trends.

During the year ended December 31, 2011, the credit performance of the consumer portfolio continued to improve overall as our nonperforming financial receivables and loans and charge-offs declined. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
December 31, *($ in millions)*	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Domestic						
Consumer automobile	$ 46,576	$ 34,604	$ 139	$ 129	$	$
Consumer mortgage						
1st Mortgage	6,867	6,917	258	388	1	1
Home equity	3,102	3,441	58	61		
Total domestic	56,545	44,962	455	578	1	1
Foreign						
Consumer automobile	16,883	16,650	89	78	3	5
Consumer mortgage						
1st Mortgage (c)	24	390	23	112		
Home equity						
Total foreign	16,907	17,040	112	190	3	5
Total consumer finance receivables and loans	$ 73,452	$ 62,002	$ 567	$ 768	$ 4	$ 6

(a) Includes nonaccrual troubled debt restructured loans of $180 million and $204 million at December 31, 2011 and 2010, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2011 and 2010.

(c) Refer to Note 2 to the Consolidated Financial Statements for additional information on our commitment to sell our Canadian residential mortgage portfolio.

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Total outstanding consumer finance receivables and loans increased $11.5 billion at December 31, 2011, compared with December 31, 2010. This increase was driven by domestic automobile consumer loan originations, which outpaced portfolio runoff, primarily due to improved industry sales and higher GM and Chrysler market share.

Total consumer nonperforming finance receivables and loans at December 31, 2011 decreased $201 million to $567 million from December 31, 2010, reflecting a decrease of $222 million of consumer mortgage nonperforming finance receivables and loans and an increase of $21 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans decreased primarily due to the continued runoff of lower quality legacy loans. Nonperforming consumer automotive finance receivables and loans increased primarily due to the implementation of ASU 2011-02 which resulted in additional loans being classified as TDRs and placed on nonaccrual status. Refer to Note 1 to the Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.8% and 1.2% at December 31, 2011 and 2010, respectively.

Consumer domestic automobile finance receivables and loans accruing and past due 30 days or more decreased $19 million to $783 million at December 31, 2011, compared with December 31, 2010. This decline was primarily due to increased quality of newer vintages reflecting tightened underwriting standards.

The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Six months ended June 30,			
	Net charge-offs		**Net charge-off ratios (a)**	
($ in millions)	**2012**	**2011**	**2012**	**2011**
Domestic				
Consumer automobile	$ 97	$ 133	0.4%	0.7%
Consumer mortgage				
1st Mortgage	47	61	1.4	1.8
Home equity	33	38	2.2	2.3
Total domestic	177	232	0.6	0.9
Foreign				
Consumer automobile	47	39	0.5	0.5
Consumer mortgage				
1st Mortgage		2	4.7	1.2
Home equity				
Total foreign	47	41	0.5	0.5
Total consumer finance receivables and loans	$ 224	$ 273	0.6	0.8

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

Our net charge-offs from total consumer automobile finance receivables and loans decreased $28 million for the six months ended June 30, 2012, compared to the same period in 2011. The decrease in net charge offs for the six months ended June 30, 2012, was primarily due to lower loss frequency reflecting the modest U.S. economic improvements and reduced loss severity due to strong used vehicle pricing.

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Our net charge-offs from total consumer mortgage receivables and loans were $80 million for the six months ended June 30, 2012, compared to $101 million for the same period in 2011. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

	Net charge-offs		Net charge-off ratios (a)	
Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2011**	**2010**
Domestic				
Consumer automobile	$ 249	$ 457	0.6%	1.7%
Consumer mortgage				
1st Mortgage	115	128	1.7	1.8
Home equity	74	85	2.3	2.4
Total domestic	438	670	0.8	1.8
Foreign				
Consumer automobile	72	123	0.4	0.8
Consumer mortgage				
1st Mortgage	4	3	1.2	0.8
Home equity				
Total foreign	76	126	0.4	0.8
Total consumer finance receivables and loans	$ 514	$ 796	0.7	1.5

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

Our net charge-offs from total consumer automobile finance receivables and loans decreased $259 million for the year ended December 31, 2011, compared to 2010. The decrease in net charge-offs was primarily due to lower loss frequency and improvements in loss severity as a result of increased quality of newer vintages reflecting tightened underwriting standards and strong used vehicle pricing.

Our net charge-offs from total consumer mortgage finance receivables and loans were $193 million for the year ended December 31, 2011, compared to $216 million in 2010. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

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

	Six months ended June 30,	
($ in millions)	**2012**	**2011**
Domestic		
Consumer automobile	$ 16,597	$ 16,768
Consumer mortgage		
1st Mortgage	14,539	24,191
Home equity		
Total domestic	31,136	40,959
Foreign		

Consumer automobile	5,312	4,422
Consumer mortgage		
1st Mortgage		595
Home equity		
Total foreign	5,312	5,017
Total consumer loan originations	$ 36,448	$ 45,976

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Total automobile-originated loans increased $719 million for the six months ended June 30, 2012, compared to the same period in 2011. The increase was primarily due to higher industry sales, growth in used and non-GM/Chrysler originations, and aggressive GM manufacturer marketing incentive programs, partially offset by lower origination volume at GM.

Total mortgage-originated loans decreased $10.2 billion for the six months ended June 30, 2012. The decline in loan production was primarily driven by the reduction in correspondent lending.

Consumer loan originations retained on-balance sheet as held-for-investment were $23.0 billion for the six months ended June 30, 2012, and $21.9 billion for the six months ended June 30, 2011. The increase was primarily due to increased automobile originations driven by higher industry sales, growth in used and non-GM/Chrysler originations, and aggressive GM manufacturer marketing incentive programs.

Year ended December 31, ***($ in millions)***	**2011**	**2010**
Domestic		
Consumer automobile	$ 32,933	$ 27,681
Consumer mortgage		
1st Mortgage	56,258	69,542
Home equity		
Total domestic	89,191	97,223
Foreign		
Consumer automobile	9,983	8,818
Consumer mortgage		
1st Mortgage	1,403	1,503
Home equity		
Total foreign	11,386	10,321
Total consumer loan originations	$ 100,577	$ 107,544

Total domestic automobile-originated loans increased $5.3 billion for the year ended December 31, 2011, compared to 2010, primarily due to improved industry sales and higher GM and Chrysler market share. Total foreign automobile originations increased $1.2 billion for the year ended December 31, 2011, driven by higher Germany, Brazil, and United Kingdom production.

Total domestic mortgage-originated loans decreased $13.3 billion for the year ended December 31, 2011. The decreases were, in part, the result of lower industry volume and fewer government-insured residential mortgage loans.

Consumer loan originations retained on-balance sheet as held-for-investment increased $9.5 billion to $44.6 billion at December 31, 2011, compared to 2010. The increase was primarily due to improved automotive industry sales and higher GM and Chrysler market share.

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The following table shows the percentage of the total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were $68.1 billion, $63.5 billion and $51.3 billion at June 30, 2012, December 31, 2011 and 2010, respectively. Total mortgage and home equity loans were $9.8 billion, $10.0 billion and $10.7 billion at June 30, 2012, December 31, 2011 and 2010, respectively.

	June 30, 2012 (a)		December 31, 2011		December 31, 2010	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	9.7%	5.8%	9.5%	5.5%	9.2%	4.4%
California	4.2	27.5	4.6	25.7	4.6	24.5
Florida	4.9	3.8	4.8	4.0	4.4	4.1
Michigan	3.8	4.3	4.0	4.8	3.7	5.0
Pennsylvania	3.7	1.6	3.6	1.6	3.2	1.7
Illinois	3.2	4.8	3.1	5.0	2.8	4.7
New York	3.5	2.1	3.5	2.3	3.4	2.4
Ohio	3.0	0.9	2.9	1.0	2.5	1.0
Georgia	2.6	1.9	2.5	1.8	2.2	1.8
North Carolina	2.3	2.1	2.2	2.1	2.0	2.0
Other United States	33.4	45.2	32.9	45.9	29.4	44.7
Canada	11.2		11.8	0.2	14.2	3.6
Brazil	4.6		4.7		5.2	
Germany	3.9		4.3		5.7	
Other foreign	6.0		5.6	0.1	7.5	0.1
Total consumer finance receivables and loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at June 30, 2012.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 16.4% of our total outstanding consumer finance receivables and loans at both June 30, 2012 and December 31, 2011.

Concentrations in our Mortgage operations are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been the most severe.

Repossessed and Foreclosed Assets

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

Repossessed assets in our Automotive Finance operations at June 30, 2012, decreased $1 million to $55 million from December 31, 2011. Foreclosed mortgage assets at June 30, 2012, decreased $74 million to $3 million from December 31, 2011, primarily due to the deconsolidation of ResCap.

Repossessed assets in our Automotive Finance operations at December 31, 2011, increased $10 million to $56 million from December 31, 2010. Foreclosed mortgage assets at December 31, 2011, decreased $61 million to $77 million from December 31, 2010.

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Higher-risk Mortgage Loans

Since 2009, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States and high-quality government-insured residential in Canada. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for domestic production and prime nonconforming or nonprime for international production), and teaser-rate mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories, it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below-market rate (teaser) mortgages. Given the continued stress within the housing market, we believe this hierarchy provides the most relevant risk assessment of our nontraditional products.

High loan-to-value mortgages Defined as first-lien loans with original loan-to-value ratios equal to or in excess of 100% or second-lien loans that when combined with the underlying first-lien mortgage loan result in an original loan-to-value ratio equal to or in excess of 100%. We ceased originating these loans with the intent to retain during 2009.

Payment-option adjustable-rate mortgages Permit a variety of repayment options. The repayment options include minimum, interest-only, fully amortizing 30-year, and fully amortizing 15-year payments. The minimum payment option generally sets the monthly payment at the initial interest rate for the first year of the loan. The interest rate resets after the first year, but the borrower can continue to make the minimum payment. The interest-only option sets the monthly payment at the amount of interest due on the loan. If the interest-only option payment would be less than the minimum payment, the interest-only option is not available to the borrower. Under the fully amortizing 30- and 15-year payment options, the borrower s monthly payment is set based on the interest rate, loan balance, and remaining loan term. We ceased originating these loans during 2008.

Interest-only mortgages Allow interest-only payments for a fixed time. At the end of the interest-only period, the loan payment includes principal payments and can increase significantly. The borrower s new payment, once the loan becomes amortizing (i.e., includes principal payments), will be greater than if the borrower had been making principal payments since the origination of the loan. We ceased originating these loans with the intent to retain during 2010.

Below-market rate (teaser) mortgages Contain contractual features that limit the initial interest rate to a below-market interest rate for a specified time period with an increase to a market interest rate in a future period. The increase to the market interest rate could result in a significant increase in the borrower s monthly payment amount. We ceased originating these loans during 2008.

The following table summarizes the higher-risk mortgage loan originations unpaid principal balance for the periods shown. These higher-risk mortgage loans are classified as finance receivables and loans and are recorded at historical cost.

Year ended December 31, ***($ in millions)***	**2011**	**2010**
Interest-only mortgage loans	$	$ 209
Below-market rate (teaser) mortgages		
Total	$	$ 209

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The following table summarizes mortgage finance receivables and loans by higher-risk type. These finance receivables and loans are recorded at historical cost and reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming		Accruing past due 90 days or more	
($ in millions)	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**
Interest-only mortgage loans (a)	$ 2,527	$ 2,947	$ 134	$ 147	$	$
Below-market rate (teaser) mortgages	204	248	4	6		
Total higher-risk mortgage loans	$ 2,731	$ 3,195	$ 138	$ 153	$	$

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

High original LTV mortgage finance receivables and loans and payment-option adjustable-rate mortgage finance receivables and loans remained flat at $1 million and $3 million, respectively, at June 30, 2012 and December 31, 2011. There were no high original LTV mortgage loans or payment-option adjustable-rate mortgage loans classified as nonperforming or 90 days past due and still accruing at June 30, 2012 and December 31, 2011.

The allowance for loan losses was $125 million or 4.57% of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loans losses at June 30, 2012.

	2011			2010		
December 31, ***($ in millions)***	**Outstanding**	**Nonperforming**	**Accruing past due 90 days or more**	**Outstanding**	**Nonperforming**	**Accruing past due 90 days or more**
Interest-only mortgage loans (a)	$ 2,947	$ 147	$	$ 3,681	$ 207	$
Below-market rate (teaser) mortgages	248	6		284	4	
Total	$ 3,195	$ 153	$	$ 3,965	$ 211	$

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

Allowance for loan losses was $167 million or 5.2% of total higher-risk mortgage finance receivables and loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at December 31, 2011.

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The following tables include our five largest state and foreign concentrations within our higher-risk finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

	Interest-only mortgage loans	Below-market rate (teaser) mortgages	All higher-risk mortgage loans
June 30, 2012			
California	$ 624	$ 63	$ 687
Virginia	251	9	260
Maryland	191	6	197
Michigan	149	6	155
Illinois	135	6	141
Other United States	1,177	114	1,291
Total higher-risk mortgage loans	$ 2,527	$ 204	$ 2,731
December 31, 2011			
California	$ 748	$ 78	$ 826
Virginia	274	10	284
Maryland	217	6	223
Michigan	199	9	208
Illinois	153	8	161
Other United States	1,356	137	1,493
Total	$ 2,947	$ 248	$ 3,195
December 31, 2010			
California	$ 993	$ 89	$ 1,082
Virginia	330	12	342
Maryland	256	7	263
Michigan	225	10	235
Illinois	197	8	205
Other United States and foreign	1,680	158	1,838
Total	$ 3,681	$ 284	$ 3,965

Commercial Credit Portfolio

Our commercial portfolio consists primarily of automotive loans (wholesale floorplan, dealer term loans including real estate loans, and automotive fleet financing), and some commercial finance loans. In general, the credit risk of our commercial portfolio is impacted by overall economic conditions in the countries in which we operate and the financial health of the automotive manufacturers that provide the inventory we floorplan. As part of our floorplan financing arrangements, we typically require repurchase agreements with the automotive manufacturer to repurchase new vehicle inventory under certain circumstances.

Our credit risk on the commercial portfolio is markedly different from that of our consumer portfolio. Whereas the consumer portfolio represents smaller-balance homogeneous loans that exhibit fairly predictable and stable loss patterns, the commercial portfolio exposures can be less predictable. We utilize an internal credit risk rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective and consistent credit risk management framework.

During the six months ended June 30, 2012, the credit performance of the commercial portfolio improved as nonperforming finance receivables and loans and net charge-offs declined. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

($ in millions)	Outstanding June 30, 2012	Outstanding December 31, 2011	Nonperforming (a) June 30, 2012	Nonperforming (a) December 31, 2011	Accruing past due 90 days or more (b) June 30, 2012	Accruing past due 90 days or more (b) December 31, 2011
Domestic						
Commercial and industrial						
Automobile	$ 28,061	$ 26,552	$ 141	$ 105	$	$
Mortgage	1,146	1,887				
Other (c)	2,391	1,178	37	22		
Commercial real estate						
Automobile	2,387	2,331	39	56		
Mortgage						
Total domestic	33,985	31,948	217	183		
Foreign						
Commercial and industrial						
Automobile	7,786	8,265	60	118		
Mortgage		24				
Other (c)	44	63		15		
Commercial real estate						
Automobile	139	154	10	11		
Mortgage		14		12		
Total foreign	7,969	8,520	70	156		
Total commercial finance receivables and loans	$ 41,954	$ 40,468	$ 287	$ 339	$	$

(a) Includes nonaccrual troubled debt restructured loans of $31 million and $21 million at June 30, 2012, and December 31, 2011, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2012 and December 31, 2011.

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

Total commercial finance receivables and loans outstanding increased $1.5 billion to $42.0 billion at June 30, 2012, from December 31, 2011. The domestic commercial and industrial outstandings increased $2.0 billion primarily due to increased automotive industry sales and corresponding rise in inventories as well as ResCap financing, partially offset by the decline in mortgage warehouse lending s runoff portfolio. The foreign commercial and industrial outstandings decreased $522 million primarily due to weakened economic growth in Europe.

Total commercial nonperforming finance receivables and loans were $287 million at June 30, 2012, a decrease of $52 million compared to December 31, 2011, primarily due to improvement in dealer performance and continued wind-down on non-core commercial assets. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 0.7% and 0.8% at June 30, 2012, and December 31, 2011, respectively.

During the year ended December 31, 2011, the credit performance of the commercial portfolio improved as nonperforming finance receivables and loans and net charge-offs declined. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

December 31, *($ in millions)*	Outstanding 2011	Outstanding 2010	Nonperforming (a) 2011	Nonperforming (a) 2010	Accruing past due 90 days or more (b) 2011	Accruing past due 90 days or more (b) 2010
Domestic						
Commercial and industrial						
Automobile	$ 26,552	$ 24,944	$ 105	$ 261	$	$
Mortgage	1,887	1,540				
Other (c)	1,178	1,795	22	37		
Commercial real estate						
Automobile	2,331	2,071	56	193		
Mortgage		1		1		
Total domestic	31,948	30,351	183	492		
Foreign						
Commercial and industrial						
Automobile	8,265	8,398	118	35		
Mortgage	24	41		40		
Other (c)	63	312	15	97		
Commercial real estate						
Automobile	154	216	11	6		
Mortgage	14	78	12	70		
Total foreign	8,520	9,045	156	248		
Total commercial finance receivables and loans	$ 40,468	$ 39,396	$ 339	$ 740	$	$

(a) Includes nonaccrual troubled debt restructured loans of $21 million and $9 million at December 31, 2011 and 2010, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2011 and 2010, respectively.

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

Total commercial finance receivables and loans outstanding increased $1.1 billion to $40.5 billion at December 31, 2011, from December 31, 2010. Commercial and industrial outstandings increased $939 million primarily due to improved automotive industry sales and corresponding increase in inventories partially offset by the continued wind-down of non-core commercial assets.

Total commercial nonperforming finance receivables and loans were $339 million, a decrease of $401 million compared to December 31, 2010, primarily due to improvement in dealer performance and continued wind-down of non-core commercial assets. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 0.8% and 1.9% at December 31, 2011 and 2010, respectively.

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The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Six months ended June 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
(*$ in millions*)	**2012**	**2011**	**2012**	**2011**
Domestic				
Commercial and industrial				
Automobile	$	$ 5	%	%
Mortgage		2		0.3
Other	(4)	(3)	(0.5)	(0.4)
Commercial real estate				
Automobile	(2)	3	(0.2)	0.3
Mortgage		(1)		n/m
Total domestic	(6)	6		
Foreign				
Commercial and industrial				
Automobile	1	3		0.1
Mortgage		8	2.4	41.8
Other	(23)	4	(89.9)	2.6
Commercial real estate				
Automobile			(0.1)	
Mortgage	(1)	16	(11.4)	54.9
Total foreign	(23)	31	(0.5)	0.6
Total commercial finance receivables and loans	$ (29)	$ 37	(0.1)	0.2

n/m = not meaningful

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

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Our net charge-offs from commercial finance receivables and loans resulted in recoveries of $29 million for the six months ended June 30, 2012, compared to net charge-offs of $37 million for the same period in 2011. The decrease in net charge-offs in the six months period was largely driven by strong recoveries in certain wind-down portfolios and an improved mix of loans in the existing portfolio.

Year ended December 31, *($ in millions)*	Net charge-offs (recoveries) 2011	2010	Net charge-off ratios (a) 2011	2010
Domestic				
Commercial and industrial				
Automobile	$ 7	$ 18	%	0.1%
Mortgage	(3)	(3)	(0.3)	(0.2)
Other (b)	(7)	158	(0.5)	6.7
Commercial real estate				
Automobile	6	47	0.3	2.3
Mortgage	(1)	44	n/m	136.3
Total domestic	2	264		0.9
Foreign				
Commercial and industrial				
Automobile	(1)	16		0.2
Mortgage	8	3	25.0	3.9
Other	2	69	0.8	19.0
Commercial real estate				
Automobile	1	2	0.3	1.0
Mortgage	27	48	60.9	38.7
Total foreign	37	138	0.4	1.5
Total commercial finance receivables and loans	$ 39	$ 402	0.1	1.1

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

(b) Includes $148 million of Resort finance charge offs during the year ended December 31, 2010.

Our net charge-offs from commercial finance receivables and loans totaled $39 million for the year ended December 31, 2011, compared to $402 million in 2010. The decrease in net charge-offs were largely driven by an improved mix of loans in the existing portfolio driven by the wind-down of certain commercial resort finance and real estate assets in prior periods and improvement in dealer performance.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were $2.5 billion, $2.5 billion and $2.4 billion at June 30, 2012, December 31, 2011 and 2010, respectively.

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The following table shows the percentage of total commercial real estate finance receivables and loans by geographic region and property type. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	June 30, 2012	December 31, 2011	December 31, 2010
Geographic region			
Michigan	13.1%	14.1%	10.1%
Florida	12.4	12.4	10.5
Texas	12.2	12.4	10.3
California	9.4	9.3	9.6
Virginia	4.0	4.1	4.4
New York	3.5	3.5	3.8
Pennsylvania	2.8	2.9	3.7
Georgia	2.6	2.5	2.4
Alabama	2.6	2.6	2.7
North Carolina	2.2	2.1	1.9
Other United States	29.6	27.5	28.1
Canada	3.1	3.5	4.4
United Kingdom	1.6	1.8	5.0
Mexico	0.6	1.0	2.4
Other foreign	0.3	0.3	0.7
Total outstanding commercial real estate finance receivables and loans	100.0%	100.0%	100.0%
Property type			
Automotive dealers	100.0%	99.4%	91.8%
Other		0.6	8.2
Total outstanding commercial real estate finance receivables and loans	100.0%	100.0%	100.0%

Commercial Criticized Exposure

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

The following table shows the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans reported at carrying value before allowance for loan losses.

	June 30, 2012	December 31, 2011	December 31, 2010
Industry			
Automotive	87.5%	82.9%	66.5%
Manufacturing	2.7	1.8	12.1
Services	2.6	1.9	1.0
Other	7.2	13.4	20.4
Total commercial criticized finance receivables and loans	100.0%	100.0%	100.0%

Total criticized exposures declined $410 million to $2.6 billion at June 30, 2012 from December 31, 2011, primarily due to improvements in the automotive industry as well as the continued wind-down of commercial assets in the real estate industry. The increase in our automotive criticized concentration rate was driven primarily by the decrease in overall criticized outstandings.

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Total criticized exposure decreased $528 million to $3.1 billion from December 31, 2010, primarily due to the continued wind-down of non-core commercial assets in the real estate and health/medical (within Other) industries. The increase in our automotive criticized concentration rate was driven primarily by the decrease in overall criticized outstanding.

Selected Loan Maturity and Sensitivity Data

The table below shows the commercial finance receivables and loans portfolio and the distribution between fixed and floating interest rates based on the stated terms of the commercial loan agreements. This portfolio is reported at carrying value before allowance for loan losses.

December 31, 2011 ***($ in millions)***	**Within 1 year (a)**	**1-5 years**	**After 5 years**	**Total (b)**
Commercial and industrial	$ 28,247	$ 1,296	$ 74	$ 29,617
Commercial real estate	295	1,751	285	2,331
Total domestic	28,542	3,047	359	31,948
Foreign	8,007	489	24	8,520
Total commercial finance receivables and loans	$ 36,549	$ 3,536	$ 383	$ 40,468
Loans at fixed interest rates		$ 1,386	$ 305	
Loans at variable interest rates		2,150	78	
Total commercial finance receivables and loans		$ 3,536	$ 383	

(a) Includes loans (e.g., floorplan) with revolving terms.

(b) Loan maturities are based on the remaining maturities under contractual terms.

Allowance for Loan Losses

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

Six months ended June 30, 2012 (***$ in millions***)	**Consumer automobile**	**Consumer mortgage**	**Total consumer**	**Commercial**	**Total**
Allowance at January 1, 2012	$ 766	$ 516	$ 1,282	$ 221	$ 1,503
Charge-offs					
Domestic	(185)	(86)	(271)	(3)	(274)
Foreign	(81)		(81)	(2)	(83)
Total charge-offs	(266)	(86)	(352)	(5)	(357)
Recoveries					
Domestic	88	6	94	9	103
Foreign	34		34	25	59
Total recoveries	122	6	128	34	162

Net charge-offs	(144)	(80)	(224)	29	(195)
Provision for loan losses	178	48	226	(57)	169
Deconsolidation of ResCap		(9)	(9)		(9)
Other	(22)	(3)	(25)	(16)	(41)
Allowance at June 30, 2012	$ 778	$ 472	$ 1,250	$ 177	$ 1,427
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2012 (a)	1.1%	4.8%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2012 (a)	0.4%	1.6%	0.6%	(0.1)%	0.3%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2012 (a)	262.5%	114.8%	176.7%	61.5%	143.4%
Ratio of allowance for loans losses to net charge-offs at June 30, 2012	2.7	3.0	2.8	(3.1)	3.7

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(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Six months ended June 30, 2011 (*$ in millions*)	**Consumer automobile**	**Consumer mortgage**	**Total consumer**	**Commercial**	**Total**
Allowance at January 1, 2011	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Charge-offs					
Domestic	(234)	(108)	(342)	(18)	(360)
Foreign	(75)	(2)	(77)	(48)	(125)
Total charge-offs	(309)	(110)	(419)	(66)	(485)
Recoveries					
Domestic	101	9	110	12	122
Foreign	36		36	17	53
Total recoveries	137	9	146	29	175
Net charge-offs	(172)	(101)	(273)	(37)	(310)
Provision for loan losses	104	78	182	(19)	163
Discontinued operations		1	1		1
Other	9		9	3	12
Allowance at June 30, 2011	$ 911	$ 558	$ 1,469	$ 270	$ 1,739
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2011 (a)	1.6%	5.4%	2.1%	0.7%	1.6%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2011 (a)	0.6%	1.9%	0.8%	0.2%	0.6%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2011 (a)	496.4%	140.1%	252.6%	44.4%	146.0%
Ratio of allowance for loans losses to net charge-offs at June 30, 2011	2.7	2.8	2.7	3.6	2.8

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses at June 30, 2012, declined $219 million compared to June 30, 2011. The decline reflected the sustained favorable performance of newer originations combined with the runoff portfolios, which was partially offset by an increase in loans outstanding.

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The allowance for commercial loan losses declined $93 million at June 30, 2012, compared to June 30, 2011, primarily related to the ongoing strength in dealer performance and general overall improvement in the Commercial Finance Group s portfolio.

($ in millions)	**Consumer automobile**	**Consumer mortgage**	**Total consumer**	**Commercial**	**Total**
Allowance at January 1, 2011	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Charge-offs					
Domestic	(435)	(205)	(640)	(27)	(667)
Foreign	(145)	(5)	(150)	(63)	(213)
Total charge-offs	(580)	(210)	(790)	(90)	(880)
Recoveries					
Domestic	186	16	202	25	227
Foreign	73	1	74	26	100
Total recoveries	259	17	276	51	327
Net charge-offs	(321)	(193)	(514)	(39)	(553)
Provision for loan losses	154	129	283	(64)	219
Other	(37)		(37)	1	(36)
Allowance at December 31, 2011	$ 766	$ 516	$ 1,282	$ 221	$ 1,503
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2011 (a)	1.2%	5.2%	1.7%	0.5%	1.3%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2011 (a)	0.5%	1.9%	0.7%	0.1%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2011 (a)	335.8%	152.1%	226.0%	65.3%	165.9%
Ratio of allowance for loans losses to net charge-offs at December 31, 2011	2.4	2.7	2.5	5.7	2.7

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

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($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2010	$ 1,024	$ 640	$ 1,664	$ 781	$ 2,445
Cumulative effect of change in accounting principles (a)	222		222		222
Charge-offs					
Domestic	(776)	(239)	(1,015)	(282)	(1,297)
Foreign	(194)	(4)	(198)	(151)	(349)
Total charge-offs	(970)	(243)	(1,213)	(433)	(1,646)
Recoveries					
Domestic	319	26	345	18	363
Foreign	71	1	72	13	85
Total recoveries	390	27	417	31	448
Net charge-offs	(580)	(216)	(796)	(402)	(1,198)
Provision for loan losses	304	164	468	(26)	442
Discontinued operations				(4)	(4)
Other		(8)	(8)	(26)	(34)
Allowance at December 31, 2010	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2010 (b)	1.9%	5.4%	2.5%	0.8%	1.8%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2010 (b)	1.4%	2.0%	1.5%	1.1%	1.3%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2010 (b)	469.2%	103.4%	202.0%	43.7%	124.3%
Ratio of allowance for loans losses to net charge-offs at December 31, 2010	1.7	2.7	1.9	0.8	1.6

(a) Includes adjustment to the allowance due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses was $1.3 billion at December 31, 2011, compared to $1.6 billion at December 31, 2010. The decline reflected overall improved credit quality of newer vintages reflecting tightened underwriting standards which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses was $221 million at December 31, 2011, compared to $323 million at December 31, 2010. The decline was primarily related to improvement in dealer performance and continued wind-down of non-core commercial assets.

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Allowance for Loan Losses by Type

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

June 30, ($ in millions)	2012 Allowance for loan losses	2012 Allowance as a% of loans outstanding	2012 Allowance as a% of allowance for loan losses	2011 Allowance for loan losses	2011 Allowance as a% of loans outstanding	2011 Allowance as a% of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	$ 589	1.2%	41.3%	$ 723	1.7%	41.6%
Consumer mortgage						
1st Mortgage	252	3.6	17.7	295	4.3	17.0
Home equity	220	7.9	15.4	261	8.0	15.0
Total domestic	1,061	1.8	74.4	1,279	2.5	73.6
Foreign						
Consumer automobile	189	1.1	13.2	188	1.1	10.8
Consumer mortgage						
1st Mortgage				2	0.6	0.1
Home equity						
Total foreign	189	1.1	13.2	190	1.1	10.9
Total consumer loans	1,250	1.6	87.6	1,469	2.1	84.5
Commercial						
Domestic						
Commercial and industrial						
Automobile	58	0.2	4.1	78	0.3	4.5
Mortgage	1	0.1		1		
Other	46	1.9	3.2	68	4.8	3.9
Commercial real estate						
Automobile	38	1.6	2.7	44	2.1	2.6
Mortgage						
Total domestic	143	0.4	10.0	191	0.6	11.0
Foreign						
Commercial and industrial						
Automobile	31	0.4	2.2	68	0.7	3.9
Mortgage				6	19.8	0.3
Other				1	0.6	0.1
Commercial real estate						
Automobile	3	1.9	0.2	2	0.8	0.1
Mortgage				2	5.5	0.1
Total foreign	34	0.4	2.4	79	0.8	4.5
Total commercial loans	177	0.4	12.4	270	0.7	15.5

Total allowance for loan losses	$ 1,427	1.2	100.0%	$ 1,739	1.6	100.0%

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

December 31, *($ in millions)*	2011 Allowance for loan losses	2011 Allowance as a % of loans outstanding	2011 Allowance as a % of allowance for loan losses	2010 Allowance for loan losses	2010 Allowance as a % of loans outstanding	2010 Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	$ 600	1.3%	39.9%	$ 769	2.2%	41.0%
Consumer mortgage						
1st Mortgage	275	4.0	18.3	322	4.7	17.2
Home equity	237	7.7	15.8	256	7.5	13.7
Total domestic	1,112	2.0	74.0	1,347	3.0	71.9
Foreign						
Consumer automobile	166	1.0	11.1	201	1.2	10.7
Consumer mortgage						
1st Mortgage	4	14.5	0.2	2	0.4	0.1
Home equity						
Total foreign	170	1.0	11.3	203	1.2	10.8
Total consumer loans	1,282	1.7	85.3	1,550	2.5	82.7
Commercial						
Domestic						
Commercial and industrial						
Automobile	62	0.2	4.0	73	0.3	3.9
Mortgage	1		0.1			
Other	52	4.4	3.5	97	5.4	5.2
Commercial real estate						
Automobile	39	1.7	2.6	54	2.6	2.9
Mortgage						
Total domestic	154	0.5	10.2	224	0.7	12.0
Foreign						
Commercial and industrial						
Automobile	48	0.6	3.2	33	0.4	1.7
Mortgage	10	43.1	0.7	12	30.5	0.7
Other	1	1.9	0.1	39	12.6	2.1
Commercial real estate						
Automobile	3	1.7	0.2	2	0.9	0.1
Mortgage	5	33.2	0.3	13	16.9	0.7
Total foreign	67	0.8	4.5	99	1.1	5.3
Total commercial loans	221	0.5	14.7	323	0.8	17.3
Total allowance for loan losses	$ 1,503	1.3	100.0%	$ 1,873	1.8	100.0%

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Provision for Loan Losses

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

	Six months ended June 30,	
($ in millions)	**2012**	**2011**
Consumer		
Domestic		
Consumer automobile	$ 101	$ 86
Consumer mortgage		
1st Mortgage	25	34
Home equity	23	42
Total domestic	149	162
Foreign		
Consumer automobile	77	18
Consumer mortgage		
1st Mortgage		2
Home equity		
Total foreign	77	20
Total consumer loans	226	182
Commercial		
Domestic		
Commercial and industrial		
Automobile	(4)	11
Mortgage		1
Other	(10)	(31)
Commercial real estate		
Automobile	(3)	(7)
Mortgage		
Total domestic	(17)	(26)
Foreign		
Commercial and industrial		
Automobile	(15)	37
Mortgage		(1)
Other	(25)	(35)
Commercial real estate		
Automobile		
Mortgage		6
Total foreign	(40)	7
Total commercial loans	(57)	(19)
Total provision for loan losses	$ 169	$ 163

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Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**
Consumer			
Domestic			
Consumer automobile	$ 102	$ 228	$ 493
Consumer mortgage			
1st Mortgage	68	72	2,360
Home equity	55	90	1,588
Total domestic	225	390	4,441
Foreign			
Consumer automobile	52	76	262
Consumer mortgage			
1st Mortgage	6	2	2
Home equity			
Total foreign	58	78	264
Total consumer loans	283	468	4,705
Commercial			
Domestic			
Commercial and industrial			
Automobile	(3)	2	54
Mortgage	(3)	(13)	36
Other	(51)	(47)	348
Commercial real estate			
Automobile	(10)	34	
Mortgage	(1)	(10)	255
Total domestic	(68)	(34)	693
Foreign			
Commercial and industrial			
Automobile	16	(2)	32
Mortgage	5	(5)	17
Other	(38)	5	142
Commercial real estate			
Automobile	1	2	
Mortgage	20	8	14
Total foreign	4	8	205
Total commercial loans	(64)	(26)	898
Total provision for loan losses	$ 219	$ 442	$ 5,603

Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. The following factors most significantly influence lease residual risk. For additional information on our valuation of automobile lease assets and residuals, refer to the Critical Accounting Estimates Valuation of Automobile Lease Assets and Residuals section within this MD&A.

Used vehicle market We have exposure to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle market prices most heavily influence used vehicle prices.

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Residual value projections We establish risk adjusted residual values at lease inception by consulting independently published guides and periodically reviewing these residual values during the lease term. These values are projections of expected values in the future (typically between two and four years) based on current assumptions for the respective make and model. Actual realized values often differ.

Remarketing abilities Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales.

Manufacturer vehicle and marketing programs Automotive manufacturers influence lease residual results in the following ways:

- The brand image of automotive manufacturers and consumer demand for their products affect residual risk.

- Automotive manufacturer marketing programs may influence the used vehicle market for those vehicles through programs such as incentives on new vehicles, programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of a new vehicle (referred to as pull-ahead programs), and special rate used vehicle programs.

- Automotive manufacturers may provide support to us for certain residual deficiencies.

The following table summarizes the volume of serviced lease terminations in the United States over recent periods. It also summarizes the average sales proceeds on 24-, 36-, and 48-month scheduled lease terminations for those same periods at auction. The mix of terminated vehicles in 2011 was used to normalize results over previous periods to more clearly demonstrate market pricing trends.

Year ended December 31,	**2011**	**2010**	**2009**
Off-lease vehicles remarketed (*in units*)	248,624	376,203	369,981
Sales proceeds on scheduled lease terminations (*$ per unit*)			
24-month (a)	n/m	n/m	n/m
36-month	$ 20,157	$ 19,061	$ 16,958
48-month	16,106	14,908	12,611

n/m = not meaningful

(a) During 2011, 24-month lease terminations were not materially sufficient to create an historical multi-year comparison from that term due to our temporary curtailment of leasing in late 2008 through 2009.

The number of off-lease vehicles marketed in 2011 declined 34% from 2010. The decrease was due to our temporary curtailment of leasing in late 2008 through 2009. Proceeds increased from 2009 as market conditions for pricing of used vehicles improved. The improvement in proceeds was driven primarily by lower used vehicle supply, large decreases in new vehicle sales and leasing activity after the 2008 economic downturn, and subsequent corporate restructurings in the automotive industry. For information on our Investment in Operating Leases, refer to Note 1 and Note 10 to the Consolidated Financial Statements.

Country Risk

We have exposures to obligors domiciled in foreign countries; and therefore, our portfolio is subject to country risk. Country risk is the risk that conditions in a foreign country will impair the value of our assets, restrict our ability to repatriate equity or profits, or adversely impact the ability of the guarantor to uphold their obligations to us. Country risk includes risks arising from the economic, political, and social conditions prevalent in a country, as well as the strengths and weaknesses in the legal and regulatory framework. These conditions may have potentially favorable or unfavorable consequences for our investments in a particular country.

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Country risk is measured by determining our cross-border outstandings in accordance with Federal Financial Institutions Examination Council guidelines. Cross-border outstandings are reported as assets within the country of which the obligor or guarantor resides. Furthermore, outstandings backed by tangible collateral are reflected under the country in which the collateral is held. For securities received as collateral, cross-border outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are presented based on the domicile of the counterparty.

The following table lists all countries in which cross-border outstandings exceed 1.0% of consolidated assets.

($ in millions)	Banks	Sovereign	Other	Net local country assets	Derivatives	Total cross-border outstandings
2011 (a)						
Canada	$ 343	$ 250	$ 451	$ 3,746	$ 20	$ 4,810
Germany	47	32	5	3,219	576	3,879
United Kingdom	311	6	13	962	1,356	2,648
2010						
Canada	$ 343	$ 361	$ 349	$ 4,678	$ 19	$ 5,750
Germany	587	40	111	3,485	76	4,299
United Kingdom	627	9	37	1,133	83	1,889

(a) As of December 31, 2011, our total cross-border exposure to Portugal, Ireland, Italy, Greece, and Spain was $327 million, all of which was nonsovereign exposure.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities and assets held-for-sale. We are primarily exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate fluctuations. Refer to Note 24 to the Consolidated Financial Statements for further derivative information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We may enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

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Fair Value Sensitivity Analysis

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

	2011		2010	
December 31, *($ in millions)*	**Nontrading**	**Trading**	**Nontrading**	**Trading**
Financial instruments exposed to changes in:				
Interest rates				
Estimated fair value	(a)	$ 549	(a)	$ 240
Effect of 10% adverse change in rates	(a)	(2)	(a)	(1)
Foreign-currency exchange rates				
Estimated fair value	$ 6,724	$	$ 7,079	$ 94
Effect of 10% adverse change in rates	(672)		(708)	(9)
Equity prices				
Estimated fair value	$ 1,059	$	$ 796	$
Effect of 10% decrease in prices	(106)		(80)	

(a) Refer to the next section titled *Net Interest Income Sensitivity Analysis* for information on the interest rate sensitivity of our nontrading financial instruments.

The fair value of our foreign-currency exchange-rate sensitive financial instruments decreased during the year ended December 31, 2011, compared to 2010, due to increases in our foreign-denominated deposits. This increase consequently drove the decrease in the fair value estimate and associated adverse 10% change in rates impact. The increase in the fair value of our equity sensitive financial instruments was due to a higher equity investment balance compared to prior year. This change in equity exposure drove our increased sensitivity to a 10% decrease in equity prices.

Net Interest Income Sensitivity Analysis

We use net interest income sensitivity analysis to measure and manage the interest rate sensitivities of our nontrading financial instruments rather than the fair value approach. Interest rate risk represents the most significant market risk to the nontrading exposures. We actively monitor the level of exposure so that movements in interest rates do not adversely affect future earnings. Simulations are used to estimate the impact on our net interest income in numerous interest rate scenarios. These simulations measure how the interest rate scenarios will impact net interest income on the financial instruments on the balance sheet including debt securities, loans, deposits, debt, and derivative instruments. The simulations incorporate assumptions about future balance sheet changes including loan and deposit pricing, changes in funding mix, and asset/liability repricing, prepayments, and contractual maturities.

We prepare forward-looking forecasts of net interest income, which take into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. Simulations are used to assess changes in net interest income in multiple interest rates scenarios relative to the baseline forecast. The changes in net interest income relative to the baseline are defined as the sensitivity. The net interest income sensitivity tests measure the potential change in our pretax net interest income over the following twelve months. A number of alternative rate scenarios are tested including immediate parallel shocks to the forward yield curve, nonparallel shocks to the forward yield curve, and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

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Our twelve-month pretax net interest income sensitivity based on the forward-curve was as follows.

Year ended December 31, ***($ in millions)***	**2011**	**2010**
Parallel rate shifts		
-100 basis points	$ 73	$ 54
+100 basis points	(84)	(99)
+200 basis points	88	(28)

Our net interest income was liability sensitive to parallel moves in interest rates of -100 and +100 basis points in both years ended 2011 and 2010. The positive change in net interest income in the +200 basis interest rate move in 2011 and limited adverse change in 2010 was mainly due to income on certain commercial loans that have rate index floors. Interest income on these loans increases significantly as interest rates and the related rate index rises above the level of the floor.

The change in net interest income sensitivity from December 31, 2010 was due to the change in the level of forward short-term interest rates, the impact of the change in interest rates on the commercial loans with rate index floors and balance sheet growth increasing the absolute level of net interest income. Additionally, we added net pay fixed interest rate swaps hedging certain borrowings and reduced our net receive fixed interest rate swaps hedging the debt portfolio as part of our normal ALM activities, which contributed to the change.

Operational Risk

We define operational risk as the risk of loss resulting from inadequate or failed processes or systems, human factors, or external events. Operational risk is an inherent risk element in each of our businesses and related support activities. Such risk can manifest in various ways, including errors, business interruptions, and inappropriate behavior of employees, and can potentially result in financial losses and other damage to us.

To monitor and control such risk, we maintain a system of policies and a control framework designed to provide a sound and well-controlled operational environment. This framework employs practices and tools designed to maintain risk governance, risk and control assessment and testing, risk monitoring, and transparency through risk reporting mechanisms. The goal is to maintain operational risk at appropriate levels in view of our financial strength, the characteristics of the businesses and the markets in which we operate, and the related competitive and regulatory environment.

Notwithstanding these risk and control initiatives, we may incur losses attributable to operational risks from time to time, and there can be no assurance these losses will not be incurred in the future.

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, currency, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, whole-loan asset sales, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution s financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand

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unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could negatively impact the cash flows available to the organization. Effective management of liquidity risk helps ensure an organization s ability to meet cash flow obligations that are uncertain as they are affected by external events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to the solvency of these same financial institutions.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally s liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each business segment, along with Ally Bank and ResMor Trust, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline projected economic scenarios as well as more severe economically stressed environments. Corporate Treasury, in turn, plans, and executes our funding strategies.

Ally uses multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established several internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, are intended to allow us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. For additional information about our regulatory restrictions and tax implications, refer to Business Certain Regulatory Matters and Note 25 to the Consolidated Financial Statements. At June 30, 2012 and December 31, 2011, we maintained $25.8 billion and $26.9 billion of total available parent company liquidity and $13.5 billion and $10.0 billion of total available liquidity at Ally Bank, respectively. Parent company liquidity is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank from time to time under an intercompany loan agreement. At June 30, 2012 and December 31, 2011, $2.4 billion and $4.9 billion was outstanding under the intercompany loan agreement, respectively. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank in the above amounts.

In December 2010, the Basel Committee on Banking Supervision issued Basel III: International framework for liquidity risk measurement, standards and monitoring , which includes two minimum liquidity risk standards. The first standard is the Liquidity Coverage Ratio (LCR). The LCR measures the ratio of unencumbered, high-quality liquid assets to liquidity needs for a 30-calendar-day time horizon under a severe liquidity stress scenario. The second standard is the Net Stable Funding Ratio (NSFR). The NSFR measures the ratio of stable funding with a maturity greater than one year to the liquidity characteristics of assets plus contingent exposures. The Basel Committee on Banking Supervision expects the LCR to be implemented beginning in January 2015 and the NSFR beginning in January 2018. We continue to monitor developments and the potential impact of these evolving proposals and expect to be able to meet the final requirements.

Funding Strategy

Our liquidity and ongoing profitability are largely dependent on our timely access to funding and the costs associated with raising funds in different segments of the capital markets and raising deposits. We continue to be focused on maintaining and enhancing our liquidity. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, public and private asset-backed securitizations, whole-loan asset sales, domestic and international committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company or nonbank funding.

In addition, the FDIC indicated that it expected us to diversify Ally Bank s overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying our funding sources, in particular at Ally Bank by expanding its securitization programs, through both public and private committed credit facilities, extending the maturity profile of our brokered deposit portfolio while not exceeding a $10 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our automotive finance and mortgage loan operations with a stable and low-cost funding source. At June 30, 2012 and December 31, 2011, Ally Bank had $42.7 billion and $39.6 billion of total external deposits, including $30.4 billion and $27.7 billion of retail deposits, respectively. We expect that our cost of funds will continue to improve over time as our deposit base grows.

At June 30, 2012, Ally Bank maintained cash liquidity of $3.4 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of $5.0 billion. In addition, at June 30, 2012, Ally Bank had unused capacity in committed secured funding facilities of $7.5 billion, including an equal allocation of shared unused capacity of $3.8 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. At December 31, 2011, Ally Bank maintained cash liquidity of $3.6 billion and highly liquid U.S. federal government and U.S. agency securities of $6.3 billion, excluding certain securities that were encumbered at December 31, 2011. In addition, at December 31, 2011, Ally Bank had unused capacity in committed secured funding facilities of $4.9 billion, including an equal allocation of shared unused capacity of $2.5 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank

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holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings than other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of savings products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an online checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first six months of 2012, the deposit base at Ally Bank grew $3.1 billion, ending the quarter at $42.7 billion from $39.6 billion at December 31, 2011. The growth in deposits has been primarily attributable to our retail deposit portfolio. Strong retention rates continue to materially contribute to our growth in retail deposits. In the second quarter of 2012, we retained 90% of maturing CD balances up for renewal in the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve s Discount Window. During 2011, the deposit base at Ally Bank grew $5.7 billion, ending the year at $39.6 billion from $33.9 billion at December 31, 2010. The growth in deposits has been primarily attributable to our retail deposit portfolio. Strong retention rates continue to materially contribute to our growth in retail deposits. In the fourth quarter of 2011 and full year 2011, we retained 92% and 89% of maturing CD balances, respectively. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve s Discount Window. At June 30, 2012 and December 31, 2011, debt outstanding from the FHLB totaled $4.3 billion and $5.4 billion with no debt outstanding from the Federal Reserve, respectively. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term and often on an overnight basis. Funding from repurchase agreements is accounted for as debt on our Consolidated Balance Sheet. At June 30, 2012, December 31, 2011, and December 31, 2010, Ally Bank had no debt outstanding under repurchase agreements.

Refer to Note 13 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank s number of accounts and deposit balances by type as of the end of each quarter since 2010.

($ in millions)	**2nd Quarter 2012**	**1st Quarter 2012**	**4th Quarter 2011**	**3rd Quarter 2011**	**2nd Quarter 2011**	**1st Quarter 2011**	**4th Quarter 2010**	**3rd Quarter 2010**	**2nd Quarter 2010**	**1st Quarter 2010**
Number of retail accounts	1,082,753	1,036,468	976,877	919,670	851,991	798,622	726,104	676,419	616,665	573,388
Deposits										
Retail	$ 30,403	$ 29,323	$ 27,685	$ 26,254	$ 24,562	$ 23,469	$ 21,817	$ 20,504	$ 18,690	$ 17,672
Brokered	9,905	9,884	9,890	9,911	9,903	9,836	9,992	9,978	9,858	9,757
Other (a)	2,411	2,314	2,029	2,704	2,405	2,064	2,108	2,538	2,267	1,914
Total deposits	$ 42,719	$ 41,521	$ 39,604	$ 38,869	$ 36,870	$ 35,369	$ 33,917	$ 33,020	$ 30,815	$ 29,343

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During the second quarter of 2012, Ally Bank completed three term securitization transactions backed by retail and dealer floorplan automotive loans raising $3.9 billion, including a $2.0 billion off-balance sheet securitization. During 2011, Ally Bank completed 11 transactions and raised $9.3 billion of secured funding backed by retail automotive loans as well as dealer floorplan automotive loans. Continued structural efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail automotive loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset making a very effective funding program.

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Also in 2011, Ally Bank raised $1.5 billion from whole-loan sales of U.S. retail automotive loans. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At June 30, 2012 and December 31, 2011, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also had access to a $3.9 billion and $4.1 billion committed facility that is shared with the parent company at June 30, 2012 and December 31, 2011, respectively.

Nonbank Funding

At June 30, 2012, the parent company maintained cash liquidity in the amount of $11.4 billion and available liquidity from unused capacity in committed credit facilities of $12.0 billion, including an equal allocation of shared unused capacity of $3.8 billion from a facility also available to Ally Bank. Parent company funding is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. The unused capacity amount at June 30, 2012 also includes $2.0 billion of availability that is sourced from committed funding arrangements reliant upon the origination of future automotive receivables. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings.

In the second quarter of 2012, we completed $1.5 billion in funding through the debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a retail debt program known as SmartNotes. SmartNotes are generally fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that we have issued through a network of participating broker-dealers. There were $8.8 billion and $9.0 billion of SmartNotes outstanding at June 30, 2012, and December 31, 2011, respectively.

During 2011, we completed a total of $3.8 billion in funding through the debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we offer short-term and long-term unsecured debt through a retail debt program known as SmartNotes. SmartNotes are floating-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that we have issued through a network of participating broker-dealers. There were $9.0 billion and $9.8 billion of SmartNotes outstanding at December 31, 2011, and December 31, 2010, respectively.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were $3.0 billion at June 30, 2012, compared to $2.8 billion at December 31, 2011. Unsecured short-term bank loans also provide short-term funding. At June 30, 2012, we had $4.0 billion in short-term unsecured debt outstanding, a decrease of $0.5 billion from December 31, 2011. Refer to Note 14 and Note 15 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. In the second quarter, the parent company completed automotive-related transactions that included a $646 million public term securitization in Europe, the renewal and extension of $679 million of committed secured funding capacity and the creation of incremental private secured funding capacity totaling $3.9 billion. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including a $7.5 billion syndicated facility that can fund U.S. and Canadian automotive retail and commercial loans, as well as leases. On March 19, 2012, this facility was renewed by a syndicate of nineteen lenders and extended such that half of the capacity will mature in March 2013 and the other half will mature in March 2014. In addition to this facility, there are a variety of others that provide funding in various countries. At June 30, 2012, the parent company had $28.9 billion of commitments globally in various facilities secured by automotive assets.

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In the United States, during 2011, we completed private securitization transactions that raised $6.6 billion of funding, a $1.3 billion whole-loan sale of retail automotive loans, and two private transactions that provided new committed capacity totaling $4.5 billion. Internationally in 2011, we completed four term securitization transactions that raised $2.0 billion and we completed numerous private transactions that created new committed capacity totaling $7.8 billion. We continue to maintain significant credit capacity at the parent company to fund automotive-related assets, including a $7.5 billion syndicated facility that can fund U.S. and Canadian automotive retail and commercial loans, as well as leases. In addition to this facility, there are a variety of others that provide funding in various countries. At December 31, 2011, there was a total of $27.5 billion of committed capacity available exclusively for the parent company in various secured facilities around the globe.

Recent Funding Developments

During the first six months of 2012, we completed funding transactions totaling $16.5 billion and we renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2012 were as follows:

- We accessed the unsecured debt capital markets in February and in June and raised $2.5 billion.

- In the first six months of 2012, we have continued to access the public asset-backed securitization markets completing five U.S. transactions that raised $6.1 billion and a Canadian transaction that raised $516 million. In April, we completed our first-ever public European dealer floorplan automotive securitization that raised $646 million. Also in the second quarter of 2012, Ally Bank raised $2.0 billion from an off-balance sheet securitization of U.S. retail automotive loans.

- We created $4.4 billion of new private capacity to fund automotive assets.

- We renewed and extended $16.4 billion of key automotive funding facilities. The automotive facility renewal amount includes the March 2012 refinancing of $15.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The $15.0 billion capacity is secured by retail, lease and dealer floorplan automotive assets and is allocated to two separate $7.5 billion facilities, one of which is available to the parent company and a Canadian subsidiary while the other is available to Ally Bank. After the refinancing, half of the capacity matures in March 2013 and the other half matures in March 2014.

In summary, during 2011, we completed funding transactions totaling over $38 billion and we renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2011 and 2012 were as follows:

- We issued $3.8 billion of public term unsecured debt in 2011. In February 2012, we accessed the unsecured debt capital markets for the first time since the first half of 2011 and raised $1.0 billion.

- We raised $18.5 billion from the sale of asset-backed securities publicly and privately in multiple jurisdictions and raised $2.8 billion from whole loan sales of U.S. retail automotive loans. In 2012, we have continued to access the public asset backed securitization markets completing two U.S. transactions that raised $2.4 billion and a Canadian transaction that raised $516 million.

- We created $13.3 billion of new funding capacity from the completion of new facilities and increases to existing facilities.

- We renewed $25.0 billion of key funding facilities that fund our Automotive Finance and Mortgage operations.

In March, we completed a key first step in our plan to repay the U.S. taxpayer. Treasury was repaid $2.7 billion from the sale of all the Trust Preferred Securities that Treasury held with Ally. This represented the full value of Treasury s investment in these securities. Ally did not receive any proceeds from the offering of the Trust Preferred Securities.

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Funding Sources

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

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2011 from 2010 levels. In addition, deposits represent a larger portion of the overall funding mix.

	Bank	Nonbank	Total	%
June 30, 2012				
Secured financings	$ 26,101	$ 23,478	$ 49,579	35
Institutional term debt		22,688	22,688	16
Retail debt programs (a)		14,229	14,229	10
Temporary Liquidity Guarantee Program (b)		7,400	7,400	5
Bank loans and other	1	2,084	2,085	1
Total debt (c)	26,102	69,879	95,981	67
Deposits (d)	42,719	5,273	47,992	33
Total on-balance sheet funding	$ 68,821	$ 75,152	$ 143,973	100
December 31, 2011				
Secured financings	$ 25,533	$ 27,432	$ 52,965	37
Institutional term debt		22,456	22,456	15
Retail debt programs (a)		14,148	14,148	10
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	5
Bank loans and other	1	2,446	2,447	2
Total debt (c)	25,534	73,882	99,416	69
Deposits (d)	39,604	5,446	45,050	31
Total on-balance sheet funding	$ 65,138	$ 79,328	$ 144,466	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 60,630	$ 60,630	
Total off-balance sheet securitizations	$	$ 60,630	$ 60,630	
December 31, 2010				
Secured financings	$ 20,199	$ 22,193	$ 42,392	32
Institutional term debt		27,257	27,257	21
Retail debt programs (a)		14,249	14,249	10
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	6
Bank loans and other	1	2,374	2,375	2
Total debt (c)	20,200	73,473	93,673	71
Deposits (d)	33,917	5,131	39,048	29
Total on-balance sheet funding	$ 54,117	$ 78,604	$ 132,721	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 69,356	$ 69,356	

Total off-balance sheet securitizations	$	$ 69,356	$ 69,356

(a) Primarily includes \$8.8 billion, \$9.0 billion and \$9.8 billion of Ally SmartNotes at June 30, 2012, December 31, 2011 and 2010, respectively.

(b) This will mature in the second half of 2012.

(c) Excludes fair value adjustment as described in Note 15 to the Condensed Consolidated Financial Statements and Note 27 to the Consolidated Financial Statements.

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(d) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Nonbank deposits include dealer wholesale deposits and deposits at ResMor Trust. Intercompany deposits are not included.

Refer to Note 15 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at June 30, 2012.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Consolidated Balance Sheet.

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 June 30, 2012, $33.2 billion of our $42.3 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of June 30, 2012, we had $17.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

	Outstanding		Unused capacity (a)		Total capacity	
($ in billions)	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**	**June 30, 2012**	**December 31, 2011**
Bank funding						
Secured - U.S.	$ 3.9	$ 5.8	$ 5.6	$ 3.7	$ 9.5	$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance operations U.S.				0.5		0.5
Automotive International	0.1	0.3			0.1	0.3
Secured						
Automotive U.S. (b) (c)	7.4	4.2	9.3	10.2	16.7	14.4
Automotive International (b)	9.9	10.1	2.2	3.0	12.1	13.1
Mortgage operations		0.7		0.5		1.2
Total nonbank funding	17.4	15.3	11.5	14.2	28.9	29.5
Shared capacity (d)						
U.S.		1.5	3.8	2.5	3.8	4.0
International	0.1	0.1			0.1	0.1
Total committed facilities	$ 21.4	$ 22.7	$ 20.9	$ 20.4	$ 42.3	$ 43.1

(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.

(b) Total unused capacity includes $3.6 billion as of June 30, 2012, and $4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.

(c) Includes the secured facilities of Ally Commercial Finance, LLC.

(d) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

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December 31, *($ in billions)*	Outstanding 2011	Outstanding 2010	Unused capacity (a) 2011	Unused capacity (a) 2010	Total capacity 2011	Total capacity 2010
Bank funding						
Secured	$ 5.8	$ 6.4	$ 3.7	$ 1.9	$ 9.5	$ 8.3
Nonbank funding						
Unsecured						
Automotive Finance operations	0.3	0.8	0.5		0.8	0.8
Secured						
Automotive Finance operations (b)	14.3	8.3	13.2	9.1	27.5	17.4
Mortgage operations	0.7	1.0	0.5	0.6	1.2	1.6
Total nonbank funding	15.3	10.1	14.2	9.7	29.5	19.8
Shared capacity (c)	1.6	0.2	2.5	3.9	4.1	4.1
Total committed facilities	$ 22.7	$ 16.7	$ 20.4	$ 15.5	$ 43.1	$ 32.2

(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.

(b) Total unused capacity includes $4.9 billion as of December 31, 2011, and $1.2 billion as of December 31, 2010, from committed funding arrangements that are reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.

(c) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

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Uncommitted Funding Facilities

($ in billions)	Outstanding June 30, 2012	Outstanding December 31, 2011	Unused capacity June 30, 2012	Unused capacity December 31, 2011	Total capacity June 30, 2012	Total capacity December 31, 2011
Bank funding						
Secured U.S.						
Federal Reserve funding programs	$	$	$ 2.0	$ 3.2	$ 2.0	$ 3.2
FHLB advances	4.3	5.4	0.4		4.7	5.4
Repurchase agreements						
Total bank funding	4.3	5.4	2.4	3.2	6.7	8.6
Nonbank funding						
Unsecured						
Automotive Finance operations International	1.8	1.9	0.7	0.5	2.5	2.4
Secured						
Automotive Finance operations International	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations				0.1		0.1
Total nonbank funding	1.9	2.0	0.8	0.7	2.7	2.7
Total uncommitted facilities	$ 6.2	$ 7.4	$ 3.2	$ 3.9	$ 9.4	$ 11.3

December 31, ($ in billions)	Outstanding 2011	Outstanding 2010	Unused capacity 2011	Unused capacity 2010	Total capacity 2011	Total capacity 2010
Bank funding						
Secured						
Federal Reserve funding programs	$	$	$ 3.2	$ 4.0	$ 3.2	$ 4.0
FHLB advances	5.4	5.3		0.2	5.4	5.5
Total bank funding	5.4	5.3	3.2	4.2	8.6	9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	1.9	1.4	0.5	0.6	2.4	2.0
Secured						
Automotive Finance operations	0.1	0.1	0.1		0.2	0.1
Mortgage operations			0.1	0.1	0.1	0.1
Total nonbank funding	2.0	1.5	0.7	0.7	2.7	2.2
Total uncommitted facilities	$ 7.4	$ 6.8	$ 3.9	$ 4.9	$ 11.3	$ 11.7

Ally Bank Funding Facilities

Facilities for Automotive Finance Operations Secured

At June 30, 2012, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank s largest facility is a $7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. At June 30, 2012, the amount outstanding under this facility was $3.9 billion. Ally Bank also had access to a $3.9 billion committed facility that is shared with the parent company. In the event these facilities are not renewed, the outstanding debt will be repaid over time as the underlying collateral amortizes.

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Nonbank Funding Facilities

Facilities for Automotive Finance Operations Unsecured

Revolving credit facilities During the quarter ended June 30, 2012, our U.S. unsecured revolving credit facility and our committed unsecured bank facilities in Canada matured. We maintain $119 million in committed unsecured bank facilities in our international operations, most of which mature in March 2013.

Facilities for Automotive Finance Operations Secured

The parent company s largest facility is a $7.5 billion revolving syndicated credit facility secured by U.S. and Canadian automotive receivables. During the first quarter of 2012, we renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At June 30, 2012, there was $3.8 billion outstanding under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities in multiple countries that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At June 30, 2012, the parent company maintained exclusive access to $28.9 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a $3.9 billion committed facility that is shared with Ally Bank.

Facilities for Mortgage Operations Secured

At December 31, 2011, we had capacity of $500 million to fund eligible mortgage servicing rights and capacity of $475 million to fund mortgage servicer advances. We also maintain an additional $250 million of committed capacity to fund mortgage loans.

Cash Flows

Net cash provided by operating activities was $4.9 billion for the six months ended June 30, 2012, compared to $4.4 billion for the same period in 2011. During the six months ended June 30, 2012, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by $1.7 billion. During the six months ended June 30, 2011, this activity resulted in a net cash inflow of $3.3 billion.

Net cash provided by operating activities was $5.5 billion for the year ended December 31, 2011, compared to $11.6 billion in 2010. During the year ended December 31, 2011, the net cash inflow from sales and repayments of mortgage and automobile loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by $0.9 billion. During the year ended December 31, 2010, this activity resulted in cash inflow of $6.3 billion.

Net cash used in investing activities was $6.1 billion for the six months ended June 30, 2012, compared to $6.8 billion for the same period in 2011. The net cash outflow from finance receivables and loans decreased $1.8 billion for the six months ended June 30, 2012, compared to the same period in 2011. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by $2.5 billion for the six months ended June 30, 2012, compared to a net cash outflow of $196 million for the six months ended June 30, 2011. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to a decrease in cash received on lease dispositions. Cash received from sales and maturities of available-for-sale investment securities, net of purchases, increased $1.8 billion during the six months ended June 30, 2012, compared to the same period in 2011.

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Net cash used in investing activities was $14.1 billion for the year ended December 31, 2011, compared to $7.6 billion used in 2010. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by $1.0 billion for the year ended December 31, 2011. These activities resulted in a net cash inflow of $5.1 billion for the year ended December 31, 2010. The shift in net cash flow attributable to leasing activities compared to the prior year was primarily due to a year over year increase in lease origination activity. Cash used to purchase available-for-sale investment securities, net of sales and maturities, decreased $1.5 billion during the year ended December 31, 2011, compared to 2010.

Net cash provided by financing activities for the six months ended June 30, 2012, totaled $4.3 billion, compared to $5.7 billion in the same period in 2011. Cash used to repay short-term debt increased $1.3 billion in the six months end June 30, 2012, compared to the same period in 2011. Cash generated from long-term debt issuances exceeded cash used to repay such debt by $3.2 billion for the six months ended June 30, 2012, compared to $3.3 billion for the same period in 2011.

Net cash provided by financing activities for the year ended December 31, 2011, totaled $10.1 billion, compared to net cash used of $8.0 billion in 2010. Cash generated from long-term debt issuances exceeded cash used to repay such debt by $4.3 billion for the year ended December 31, 2011. For the comparable period in 2010, cash repayments exceeded proceeds from new issuances of long-term debt by $10.5 billion. Also contributing to the increase in cash inflow was an increase in short-term borrowing obligations of $4.1 billion for the year ended December 31, 2011, compared to 2010.

Capital Planning and Stress Tests

As a bank holding company with $50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally s consolidated capital. The proposed capital action 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 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally s proposed capital action plan before Ally may take any proposed capital action covered by the new regime. Ally submitted its capital plan in January 2012, and on March 13, 2012, the FRB released its Comprehensive Capital Analysis and Review. The FRB objected to Ally s capital plan; however, the FRB did provide notice of non-objection to Ally s planned preferred dividends and interest on the trust preferred securities and subordinated debt. Ally submitted a revised capital plan on June 11, 2012, as required. It is unknown whether the FRB will accept Ally s revised plan as submitted or require further revisions.

Regulatory Capital

Refer to Note 19 to the Condensed Consolidated Financial Statements.

Credit Ratings

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

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

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Rating Watch Negative	April 18, 2012 (a)
Moody s	Not-Prime	B1	Stable	February 7, 2011 (b)
S&P	C	B+	Positive	May 17, 2012 (c)
DBRS	R-4	BB-Low	Review-Developing	May 15, 2012 (d)

(a) Fitch placed our senior debt on Rating Watch Negative and affirmed the short term rating of B on April 18, 2012.

(b) Moody s upgraded our senior debt rating to B1 from B3, affirmed the short-term rating of Not-Prime, and affirmed the outlook of Stable on February 7, 2011.

(c) Standard & Poor s affirmed our senior debt rating of B+ and the short-term rating of C, and changed the outlook to Positive on May 17, 2012.

(d) DBRS placed our ratings Under Review - Developing on May 15, 2012.

Insurance Financial Strength Ratings

Substantially all of our U.S. Insurance operations have a Financial Strength Rating (FSR) and an Issuer Credit Rating (ICR) from A.M. Best Company. The FSR is intended to be an indicator of the ability of the insurance company to meet its senior most obligations to policyholders. Lower ratings generally result in fewer opportunities to write business as insureds, particularly large commercial insureds, and insurance companies purchasing reinsurance have guidelines requiring high FSR ratings. Our Insurance operations outside the United States are not rated.

On July 20, 2010, A.M. Best removed our U.S. insurance companies from under review with developing implications and affirmed the FSR of B++ (good) and the ICR of BBB.

Off-balance Sheet Arrangements

Refer to Note 10 to the Condensed Consolidated Financial Statements.

Securitization

Securitization of assets allows us to diversify funding sources by enabling us to convert assets into cash earlier than what would have occurred in the normal course of business. Information regarding our securitization activities is further described in Note 11 to the Consolidated Financial Statements. As part of these activities, assets are generally sold to securitization entities. These securitization entities are separate legal entities that assume the risk and reward of ownership of the receivables. Neither we nor those subsidiaries are responsible for the other entities debts, and the assets of the subsidiaries are not available to satisfy our claim or those of our creditors. In turn, the securitization entities establish separate trusts to which they transfer the assets in exchange for the proceeds from the sale of asset- or mortgage-backed securities issued by the trust. The trusts activities are generally limited to acquiring the assets, issuing asset- or mortgage-backed securities, making payments on the securities, and periodically reporting to the investors. We may account for the transfer of assets as a sale if we either do not hold a significant variable interest or do not provide servicing or asset management functions for the financial assets held by the securitization entity.

Certain of our securitization transactions, while similar in legal structure to the transaction described in the foregoing do not meet the required criteria to be accounted for as off-balance sheet arrangements; therefore, they are accounted for as secured financings. As secured financings, the underlying automobile finance retail

contracts, wholesale loans, automobile leases, or mortgage loans remain on our Consolidated Balance Sheet with the corresponding obligation (consisting of the beneficial interests issued by the securitization entity) reflected as debt. We recognize interest income on the finance receivables, automobile leases and loans, and interest expense on the beneficial interests issued by the securitization entity; and we provide for loan losses on the finance receivables and loans as incurred or adjust to fair value for fair value-elected loans. At December 31, 2011 and 2010, $78.5 billion and $72.6 billion of our total assets, respectively, were related to secured financings. Refer to Note 17 to the Consolidated Financial Statements for further discussion.

As part of our securitization activities, we typically agree to service the transferred assets for a fee, and we may earn other related ongoing income. The amount of the fees earned is disclosed in Note 12 to the Consolidated Financial Statements. We may also retain a portion of senior and subordinated interests issued by the trusts; these interests are reported as trading assets, investment securities, or other assets on our Consolidated Balance Sheet and are disclosed in Notes 6, 7, and 14 to the Consolidated Financial Statements. For secured financings, retained interests are not recognized as a separate asset on our Consolidated Balance Sheet. Subordinate interests typically provide credit support to the more highly rated senior interest in a securitization transaction and may be subject to all or a portion of the first loss position related to the sold assets.

The FDIC, which regulates Ally Bank, promulgated a new safe harbor regulation for securitizations by banks which took effect on January 1, 2011. Compliance with this regulation requires the sponsoring bank to retain either five percent of each class of beneficial interests issued in the securitization or a representative sample of similar financial assets equal to five percent of the securitized financial assets. The retained interests or assets must be held for the life of the securitization and may not be sold, pledged or hedged, except that interest rate and currency hedging is permitted. This risk retention requirement adversely affects the efficiency of securitizations, because it reduces the amount of funds that can be raised against a given pool of financial assets.

We sometimes use derivative financial instruments to facilitate securitization activities, as further described in Note 24 to the Consolidated Financial Statements.

Our economic exposure related to the securitization trusts is generally limited to cash reserves, our other interests retained in financial asset sales, and our customary representation and warranty provisions described in Note 11 to the Consolidated Financial Statements. The trusts have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise by us, as servicer of a cleanup call option, when the servicing of the sold contracts becomes burdensome. In addition, the trusts do not invest in our equity or in the equity of any of our affiliates.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

ResCap Bankruptcy Filing

As described in Notes 1 and 25 to the Condensed Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors and their direct and indirect subsidiaries) (collectively, AFI) reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan).

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The contemplated Plan, which has not yet been filed with the Bankruptcy Court and is subject to Bankruptcy Court approval, is based on a settlement (the Settlement) that provides for the release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against Ally held by third parties. As a result, a significant portion of our representation and warranty reserve was eliminated. Related to the deconsolidation of ResCap, Ally Bank was allocated a representation and warranty reserve, which was $124 million at June 30, 2012 with respect to Ally Bank s sold and serviced loans. No other representation and warranty exposure would exist provided the Bankruptcy Court approves the Plan.

Overview

Ally Bank, within our Mortgage operations, sells loans that take the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, is provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan s compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Ally Bank at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Ally Bank to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. See *Repurchase Process* below.

Originations

Since 2009, we have focused primarily on originating domestic prime conforming and government-insured mortgages. Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

The following table summarizes domestic mortgage loans sold by ResCap where Ally Bank maintained the mortgage servicing rights; and following the deconsolidation of ResCap, the loans sold by Ally Bank. The following table presents domestic mortgage loans sold by GSEs (original unpaid principal balance).

($ in billions)	**Six months ended June 30, 2012**	**Year ended December 31, 2011**	**2010**	**2009**	**2008**	**2007**
Fannie Mae	$ 9.3	$ 33.8	$ 35.2	$ 21.1	$ 17.7	$ 6.7
Freddie Mac	3.9	15.8	15.7	8.5	8.6	2.3
Total sales (a)	$ 13.2	$ 49.6	$ 50.9	$ 29.6	$ 26.3	$ 9.0

(a) Representation and warranty obligations vary by loan and may not apply to all loans sold by Ally Bank.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management s best estimate of probable lifetime losses at Ally Bank. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which

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includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income. The repurchase reserve at June 30, 2012, relates exclusively to GSE exposure.

Ally Bank experienced a decrease in new claims for the six months ended June 30, 2012 compared to the same period in 2011 primarily due to the deconsolidation of ResCap. The increase in repurchase claims from Fannie Mae was primarily for loans originated in 2008 prior to enhanced underwriting standards and increased claim activity associated with missing documents. The following tables present Ally Bank s new claims by GSEs (original unpaid principal balance).

Six months ended June 30, ***($ in millions)***	**2012**	**2011**
Fannie Mae	$ 130	$ 99
Freddie Mac	64	109
Total claims	$ 194	$ 208

The following table presents the total number and original unpaid principal balance of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but have not been agreed to by the investor.

	June 30, 2012		**December 31, 2011**	
($ in millions)	**Number of Loans**	**Original UPB of Loans**	**Number of Loans**	**Original UPB of Loans**
Fannie Mae	280	$ 62	72	$ 15
Freddie Mac	84	20	138	31
Total number of loans and unpaid principal balance	364	$ 82	210	$ 46

Repurchase Process

After receiving a claim under representation and warranty obligations, Ally Bank will review the claim to determine the appropriate response (e.g., appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in the loan s life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. Ally Bank actively contests claims to the extent they are not considered valid. Ally Bank is not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through the underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. Ally

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Bank believes that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan s performance. When loans are repurchased, Ally Bank bears the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

The following table presents Ally Bank s new claims by vintage (original unpaid principal balance).

	Six months ended June 30,	
($ in millions)	**2012**	**2011**
Pre 2008	$ 34	$ 23
2008	99	71
Post 2008	61	114
Total claims	$ 194	$ 208

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, Ally Bank will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, Ally Bank attempts to remedy the defect. In the event the mortgage insurance cannot be reinstated, Ally Bank may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While Ally Bank makes every effort to reinstate the mortgage insurance, it has had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At June 30, 2012, Ally Bank has approximately $11 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where it has not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

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Aggregate Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations disclosed elsewhere in our Consolidated Financial Statements.

		Payments due by period			
December 31, 2011 ***($ in millions)***	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Description of obligation					
Long-term debt					
Total (a)	$ 93,930	$ 26,535	$ 34,407	$ 11,292	$ 21,696
Scheduled interest payments for fixed-rate long-term debt	26,286	3,434	4,542	3,655	14,655
Estimated interest payments for variable-rate long-term debt (b)	1,516	594	864	52	6
Estimated net payments under interest rate swap agreements (b)	72				72
Originate/purchase mortgages or securities	6,741	6,672			69
Commitments to provide capital to investees	56	35	3	8	10
Home equity lines of credit	2,234	207	654	502	871
Lending commitments	2,322	1,289	671	339	23
Lease commitments	316	83	129	67	37
Purchase obligations	777	291	418	47	21
Bank certificates of deposit	30,498	15,571	8,815	6,112	
Total	$ 164,748	$ 54,711	$ 50,503	$ 22,074	$ 37,460

(a) Total amount reflects the remaining principal obligation and excludes original issue discount of $2.2 billion related to the December 2008 bond exchange and fair value adjustments of $1.1 billion related to fixed-rate debt designated as a hedged item.

(b) Estimate utilized a forecasted variable interest model, when available, or the applicable variable interest rate as of the most recent reset date prior to December 31, 2011.

The foregoing table does not include our reserves for insurance losses and loss adjustment expenses, which total $580 million at December 31, 2011. While payments due on insurance losses are considered contractual obligations because they related to insurance policies issued by us, the ultimate amount to be paid and the timing of payment for an insurance loss is an estimate subject to significant uncertainty. Furthermore, the timing on payment is also uncertain; however, the majority of the balance is expected to be paid out in less than five years. Similarly, due to uncertainty in the timing of future cash flows related to our unrecognized tax benefits, the contractual obligations detailed above do not include $198 million in unrecognized tax benefits.

The following provides a description of the items summarized in the preceding table of contractual obligations.

Long-term Debt

Amounts represent the scheduled maturity of long-term debt at December 31, 2011, assuming that no early redemptions occur. The maturity of secured debt may vary based on the payment activity of the related secured assets. The amounts presented are before the effect of any unamortized discount or fair value adjustment. Refer to Note 16 and Note 17 to the Consolidated Financial Statements for additional information on our debt obligations.

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Originate/Purchase Mortgages or Securities

As part of our Mortgage operations, we enter into commitments to originate and purchase mortgages and MBS. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Commitments to Provide Capital to Investees

As part of arrangements with specific private equity funds, we are obligated to provide capital to investees. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Home Equity Lines of Credit

We are committed to fund the future remaining balance on unused lines of credit on mortgage loans. The funding is subject to customary lending conditions, such as a satisfactory credit rating, delinquency status, and adequate home equity value. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Lending Commitments

Our Automotive Finance operations, Mortgage operations, and Commercial Finance Group have outstanding revolving lending commitments with customers. The amounts presented represent the unused portion of those commitments at December 31, 2011. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Lease Commitments

We have obligations under various operating lease arrangements (primarily for real property) with noncancelable lease terms that expire after December 31, 2011. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Purchase Obligations

We enter into multiple contractual arrangements for various services. The arrangements represent fixed payment obligations under our most significant contracts and primarily relate to contracts with information technology providers. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Bank Certificates of Deposit

Refer to Note 15 to the Consolidated Financial Statements for additional information.

Critical Accounting Estimates

Accounting policies are integral to understanding our Management s Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements; critical accounting estimates are described in this section. An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Our management has discussed the development, selection, and disclosure of these critical accounting estimates with the Audit Committee of the Board, and the Audit Committee has reviewed our disclosure relating to these estimates.

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Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 27 to the Consolidated Financial Statements for a description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 27 to the Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

	June 30,	December 31,	
($ in millions)	**2012**	**2011**	**2010**
Assets at fair value	$ 21,711	$ 30,172	$ 33,001
As a percentage of total assets	12%	16%	19%
Liabilities at fair value	$ 5,072	$ 6,299	$ 4,832
As a percentage of total liabilities	3%	4%	3%
Assets at fair value using Level 3 inputs	$ 1,652	$ 4,666	$ 6,969
As a percentage of assets at fair value	8%	15%	21%
Liabilities at fair value using Level 3 inputs	$ 29	$ 878	$ 1,090
As a percentage of liabilities at fair value	1%	14%	23%

Level 3 assets declined 65% or $3.0 billion primarily due to the deconsolidation of ResCap during the three months ended June 30, 2012, which resulted in a significant decline in mortgage servicing rights, mortgage loans held-for-sale, net, and consumer mortgage finance receivables and loans, net. Refer to Note 1 to the Condensed Consolidated Financial Statements. As the value of the consumer mortgage finance receivables and loan, net, declined, the value of the related on-balance sheet securitization debt also declined, which was the primary reason Level 3 liabilities declined by 97% or $849 million.

Level 3 assets declined 33% or $2.3 billion primarily due to a decline in mortgage servicing rights caused by a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. The decline in the Level 3 assets was also attributable to settlements of interests retained in securitization trusts and the fair value-elected finance receivables and loans, net. As the value of the finance receivable and loans, net declined, the value of the related on-balance sheet securitization debt also declined, which was the primary reason Level 3 liabilities declined by 19% or $212 million. The on-balance sheet securitization debt is also at fair value under the fair value option election.

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

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Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Allowance for Loan Losses

We maintain an allowance for loan losses (the allowance) to absorb probable loan credit losses inherent in the held-for-investment portfolio, excluding those measured at fair value in accordance with applicable accounting standards. The allowance is maintained at a level that management considers to be adequate based upon ongoing quarterly assessments and evaluations of collectability and historical loss experience in our lending portfolio. The allowance is management s estimate of incurred losses in our lending portfolio and involves significant judgment. Management performs quarterly analysis of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance based on historical and current trends and other factors affecting credit losses. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, while amounts recovered on previously charged-off accounts increase the allowance. Determining the appropriateness of the allowance requires management to exercise significant judgment about matters that are inherently uncertain, including the timing, frequency, and severity of credit losses that could materially affect the provision for loan losses and, therefore, net income. The methodology for determining the amount of the allowance differs between the consumer automobile, consumer mortgage, and commercial portfolio segments. For additional information regarding our portfolio segments and classes, refer to Note 9 to the Consolidated Financial Statements. While we attribute portions of the allowance across our lending portfolios, the entire allowance is available to absorb probable loan losses inherent in our total lending portfolio.

The consumer portfolio segments consist of smaller-balance, homogeneous loans. Excluding certain loans that are identified as individually impaired, the allowance for each consumer portfolio segment (automobile and mortgage) is evaluated collectively. The allowance is based on aggregated portfolio segment evaluations that begin with estimates of incurred losses in each portfolio segment based on various statistical analyses. We leverage proprietary statistical models, including vintage and migration analyses, based on recent loss trends, to develop a systematic incurred loss reserve. These statistical loss forecasting models are utilized to estimate incurred losses and consider several credit quality indicators including, but not limited to, historical loss experience, estimated foreclosures or defaults based on observable trends, delinquencies, and general economic and business trends. Management believes these factors are relevant to estimate incurred losses and are updated on a quarterly basis in order to incorporate information reflective of the current economic environment, as changes in these assumptions could have a significant impact. In order to develop our best estimate of probable incurred losses inherent in the loan portfolio, management reviews and analyzes the output from the models and may adjust the reserves to take into consideration environmental, qualitative and other factors that may not be captured in the models. These adjustments are documented and reviewed through our risk management processes. Management reviews, updates, and validates its systematic process and loss assumptions on a periodic basis. This process involves an analysis of loss information, such as a review of loss and credit trends, a retrospective evaluation of actual loss information to loss forecasts, and other analyses.

The commercial loan portfolio segment is primarily composed of larger-balance, nonhomogeneous exposures within our Automotive Finance operations, Commercial Finance Group, and Mortgage operations. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loans effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate. In addition to the specific allowances for impaired loans, loans that are not identified as individually impaired are grouped into pools based on similar risk characteristics and collectively evaluated. These allowances are based on historical loss experience, concentrations, current economic conditions, and performance trends within specific geographic locations. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. The critical assumptions underlying the allowance include: (1) segmentation of each portfolio based on common risk characteristics; (2) identification and estimation of portfolio indicators and other factors that management believes are key to estimating incurred credit losses; and (3) evaluation by management of borrower, collateral, and geographic information. Management monitors the adequacy of the allowance and makes adjustments as the assumptions in the underlying analyses change to reflect an estimate of incurred loan losses at the reporting date, based on the best information available at that time. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans. If an automotive manufacturer is unable to fully honor its obligations, our ultimate loan losses could be higher. To the extent that actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce earnings.

Valuation of Automobile Lease Assets and Residuals

We have significant investments in vehicles in our operating lease portfolio. In accounting for operating leases, management must make a determination at the beginning of the lease contract of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from two to four years. We establish risk adjusted residual values based on independently published residuals. Risk adjustments are determined at lease inception and are based on current auction results adjusted for key variables that historically have shown an impact on auction values (as further described in the Lease Residual Risk discussion in the Risk Management section of this MD&A). The customer is obligated to make payments during the term of the lease for the difference between the purchase price and the contract residual value. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception. Management periodically performs a detailed review of the estimated realizable value of leased vehicles to assess the appropriateness of the carrying value of lease assets.

To account for residual risk, we depreciate automobile operating lease assets to estimated realizable value on a straight-line basis over the lease term. The estimated realizable value is initially based on the residual value established at contract inception. Over the life of the lease, management evaluates the adequacy of the estimate of the realizable value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Any adjustments would result in a change in the depreciation rate of the lease asset, thereby affecting the carrying value of the operating lease asset.

In addition to estimating the residual value at lease termination, we must also evaluate the current value of the operating lease assets and test for impairment to the extent necessary in accordance with applicable accounting standards. Impairment is determined to exist if the undiscounted expected future cash flows (including the expected residual value) are lower than the carrying value of the asset. There were no such impairment charges in 2011 or 2010.

Our depreciation methodology on operating lease assets considers management s expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used vehicle values.

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The critical assumptions underlying the estimated carrying value of automobile lease assets include: (1) estimated market value information obtained and used by management in estimating residual values, (2) proper identification and estimation of business conditions, (3) our remarketing abilities, and (4) automotive manufacturer vehicle and marketing programs. Changes in these assumptions could have a significant impact on the value of the lease residuals. Expected residual values include estimates of payments from automotive manufacturers related to residual support and risk-sharing agreements. To the extent an automotive manufacturer is not able to fully honor its obligation relative to these agreements, our depreciation expense would be negatively impacted.

Valuation of Mortgage Servicing Rights

Mortgage servicing rights represent the capitalized value of the right to receive future cash flows from the servicing of mortgage loans for others. Mortgage servicing rights are a significant source of value derived from the sale or securitization of mortgage loans. Because residential mortgage loans typically contain a prepayment option, borrowers may often elect to prepay their mortgage loans by refinancing at lower rates during declining interest rate environments. The borrower s ability to prepay is at times impacted by other factors in the current environment that may limit their eligibility to access a refinance (e.g. a high loan-to-value ratio). When this occurs, the stream of cash flows generated from servicing the original mortgage loan is terminated. As such, the market value of mortgage servicing rights has historically been very sensitive to changes in interest rates and tends to decline as market interest rates decline and increase as interest rates rise.

We capitalize mortgage servicing rights on residential mortgage loans that we have originated and purchased based on the fair market value of the servicing rights associated with the underlying mortgage loans at the time the loans are sold or securitized. GAAP requires that the value of mortgage servicing rights be determined based on market transactions for comparable servicing assets, if available. In the absence of representative market trade information, valuations should be based on other available market evidence and modeled market expectations of the present value of future estimated net cash flows that market participants would expect from servicing. When observable prices are not available, management uses internally developed discounted cash flow models to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants, combined with market-based assumptions for loan prepayment rate, interest rates, default rates and discount rates that management believes approximate yields required by investors for these assets. Servicing cash flows primarily include servicing fees, escrow account income, ancillary income and late fees, less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. Management considers the best available information and exercises significant judgment in estimating and assuming values for key variables in the modeling and discounting process. All of our mortgage servicing rights are carried at estimated fair value.

We use the following key assumptions in our valuation approach.

Prepayment The most significant drivers of mortgage servicing rights value are actual and forecasted portfolio prepayment behavior. Prepayment speeds represent the rate at which borrowers repay their mortgage loans prior to scheduled maturity. Prepayment speeds are influenced by a number of factors such as the value of collateral, competitive market factors, government programs or incentives, or levels of foreclosure activity. However, the most significant factor influencing prepayment speeds is generally the interest rate environment. As interest rates rise, prepayment speeds generally slow, and as interest rates decline, prepayment speeds generally accelerate. When mortgage loans are paid or expected to be paid earlier than originally estimated, the expected future cash flows associated with servicing such loans are reduced. We primarily use third-party models to project residential mortgage loan payoffs. In other cases, we estimate prepayment speeds based on historical and expected future prepayment rates. We measure model performance by comparing prepayment predictions against actual results at both the portfolio and product level.

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Discount rate The cash flows of our mortgage servicing rights are discounted at prevailing market rates, which include an appropriate risk-adjusted spread, which management believes approximates yields required by investors for these assets.

Base mortgage rate The base mortgage rate represents the current market interest rate for newly originated mortgage loans. This rate is a key component in estimating prepayment speeds of our portfolio because the difference between the current base mortgage rate and the interest rates on existing loans in our portfolio is an indication of the borrower s likelihood to refinance.

Cost to service In general, servicing cost assumptions are based on internally projected actual expenses directly related to servicing. These servicing cost assumptions are compared to market-servicing costs when market information is available. Our servicing cost assumptions include expenses associated with our activities related to loans in default.

Volatility Volatility represents the expected rate of change of interest rates. The volatility assumption used in our valuation methodology is intended to estimate the range of expected outcomes of future interest rates. We use implied volatility assumptions in connection with the valuation of our mortgage servicing rights. Implied volatility is defined as the expected rate of change in interest rates derived from the prices at which options on interest rate swaps, or swaptions, are trading. We update our volatility assumptions for the change in implied swaptions volatility during the period, adjusted by the ratio of historical mortgage to swaption volatility.

We also periodically perform a series of reasonableness tests as we deem appropriate, including the following.

Review and compare data provided by an independent third-party broker. We evaluate and compare our fair value price, multiples, and underlying assumptions to data provided by independent third-party broker, including prepayment speeds, discount rates, cost to service, and fair value multiples.

Review and compare pricing of publicly traded interest-only securities. We evaluate and compare our fair value to publicly traded interest-only stripped MBS by age and coupon for reasonableness.

Review and compare fair value price and multiples. We evaluate and compare our fair value price and multiples to market fair value price and multiples in external surveys produced by third parties.

Compare actual monthly cash flows to projections. We reconcile actual monthly cash flows to those projected in the mortgage servicing rights valuation. Based on the results of this reconciliation, we assess the need to modify the individual assumptions used in the valuation. This process ensures the model is calibrated to actual servicing cash flow results.

Review and compare recent bulk mortgage servicing right acquisition activity. We evaluate market trades for reliability and relevancy and then consider, as appropriate, our estimate of fair value of each significant transaction to the traded price. Currently, there is a lack of comparable transactions between willing buyers and sellers in the bulk acquisition market, which are the best indicators of fair value. However, we continue to monitor and track market activity on an ongoing basis.

We generally expect our valuation to be within a reasonable range of that implied by these tests. Changes in these assumptions could have a significant impact on the determination of fair market value. In order to develop our best estimate of fair value, management reviews and analyzes the output from the models and may adjust the reserves to take into consideration other factors that may not be captured. If we determine our valuation has exceeded the reasonable range, we may adjust it accordingly. At December 31, 2011, based on the market information obtained, we determined that our mortgage servicing rights valuations and assumptions used to value those servicing rights were reasonable and consistent with what an independent market participant would use to value the asset.

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The assumptions used in modeling expected future cash flows of mortgage servicing rights have a significant impact on the fair value of mortgage servicing rights and potentially a corresponding impact to earnings. Refer to Note 12 to the Consolidated Financial Statements for sensitivity analysis.

Goodwill

The accounting for goodwill is discussed in Note 14 to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis, as of August 31, or in interim periods if events or circumstances indicate a potential impairment. Goodwill is allocated to the reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identified with the reporting unit as a whole. As a result, all of the fair value of each reporting unit is available to support the value of goodwill allocated to the unit. Goodwill impairment testing is performed at the reporting unit level, one level below the business segment. For more information on our segments, refer to Note 28 to the Consolidated Financial Statements.

Goodwill impairment testing involves managements judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by the fair value of the individual reporting unit using widely accepted valuation techniques, such as the market approach (earnings, transaction, and/or pricing multiples) and discounted cash flow methods. In applying these methodologies we utilize a number of factors, including actual operating results, future business plans, economic projections, and market data. A combination of methodologies is used and weighted appropriately for each reporting unit. If actual results differ from these estimates, it may have an adverse impact on the valuation of goodwill that could result in a reduction of the excess over carrying value and possible impairment of goodwill. At December 31, 2011, we did not have material goodwill at our reporting units that is at risk of failing Step 1 of the goodwill impairment test.

Determination of Reserves for Insurance Losses and Loss Adjustment Expenses

Our Insurance operations include an array of insurance underwriting, including vehicle service contracts and consumer products that create a liability for unpaid losses and loss adjustment expenses incurred (further described in Insurance). The reserve for insurance losses and loss adjustment expenses represents an estimate of our liability for the unpaid cost of insured events that have occurred as of a point in time but have not yet been paid. More specifically, it represents the accumulation of estimates for reported losses and an estimate for losses incurred, but not reported, including claims adjustment expenses at the end of any given accounting period.

Our Insurance operations claim personnel estimate reported losses based on individual case information or average payments for categories of claims. An estimate for current incurred, but not reported, claims is also recorded based on the actuarially determined expected loss ratio for a particular product, which also considers significant events that might change the expected loss ratio, such as severe weather events and the estimates for reported claims. These estimates of the reserves are reviewed regularly by product line management, by actuarial and accounting staffs, and ultimately, by senior management.

Our Insurance operations actuaries assess reserves for each business at the lowest meaningful level of homogeneous data in each type of insurance, such as general or product liability and automobile physical damage. The purpose of these assessments is to confirm the reasonableness of the reserves carried by each of the individual subsidiaries and product lines and, thereby, the Insurance operations overall carried reserves. The selection of an actuarial methodology is judgmental and depends on variables such as the type of insurance, its expected payout pattern, and the manner in which claims are processed. Special characteristics such as deductibles, reinsurance recoverable, or special policy provisions are also considered in the reserve estimation process. Estimates for salvage and subrogation recoverable are recognized at the time losses are incurred and netted against the provision for losses. Our reserves include a liability for the related costs that are expected to be incurred in connection with settling and paying the claim. These loss adjustment expenses are generally

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established as a percentage of loss reserves. Our reserve process considers the actuarially calculated reserves based on prior patterns of claim incurrence and payment and the degree of incremental volatility associated with the underlying risks for the types of insurance; it represents management s best estimate of the ultimate liability. Since the reserves are based on estimates, the ultimate liability may be more or less than our reserves. Any necessary adjustments, which may be significant, are included in earnings in the period in which they are deemed necessary. These changes may be material to our results of operations and financial condition and could occur in a future period.

Our determination of the appropriate reserves for insurance losses and loss adjustment expenses for significant business components is based on numerous assumptions that vary based on the underlying business and related exposure.

Vehicle service contracts Vehicle service contract losses are generally reported and settled quickly through dealership service departments resulting in a relatively small balance of outstanding claims at any point in time relative to the volume of claims processed annually. Vehicle service contract claims are primarily composed of parts and labor for repair or replacement of the affected components or systems. Changes in the cost of replacement parts and labor rates will affect the cost of settling claims. Considering the short time frame between a claim being incurred and paid, changes in key assumptions (e.g., part prices, labor rates) would have a minimal impact on the loss reserve as of a point in time. The loss reserve amount is influenced by the estimate of the lag between vehicles being repaired at dealerships and the claim being reported by the dealership.

Personal automobile Automobile insurance losses are principally a function of the number of occurrences (e.g., accidents or thefts) and the severity (e.g., the ultimate cost of settling the claim) for each occurrence. The number of incidents is generally driven by the demographics and other indicators or predictors of loss experience of the insured customer base including geographic location, number of miles driven, age, sex, type and cost of vehicle, and types of coverage selected. The severity of each claim, within the limits of the insurance purchased, is generally random and settles to an average over a book of business, assuming a broad distribution of risks. Changes in the severity of claims have an impact on the reserves established at a point in time. Changes in bodily injury claim severity are driven primarily by inflation in the medical sector of the economy. Changes in automobile physical damage claim severity are caused primarily by inflation in automobile repair costs, automobile parts prices, and used car prices. However, changes in the level of the severity of claims paid may not necessarily match or track changes in the rate of inflation in these various sectors of the economy.

At December 31, 2011, we concluded that our insurance loss reserves were reasonable and appropriate based on the assumptions and data used in determining the estimate. However, because insurance liabilities are based on estimates, the actual claims ultimately paid may vary from the estimates.

Legal and Regulatory Reserves

Our legal and regulatory reserves reflect management s best estimate of probable losses on legal and regulatory matters. As a legal or regulatory matter develops, management, in conjunction with internal and external counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency related to a legal or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. When the loss contingency related to a legal or regulatory matter is deemed to be both probable and estimable, we will establish a liability with respect to such loss contingency and record a corresponding amount to other operating expenses. To estimate the probable loss, we evaluate the individual facts and circumstances of the case including information learned through the discovery process, rulings on dispositive motions, settlement discussions, our prior history with similar matters and other rulings by courts, arbitrators or others. The reserves are continuously monitored and updated to reflect the most recent information related to each matter.

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Additionally, in matters for which a loss event is not deemed probable, but rather reasonably possible to occur, we would attempt to estimate a loss or range of loss related to that event, if possible. For these matters, we do not record a liability. However, if we are able to estimate a loss or range of loss, we would disclose this loss, if it is material to our financial statements. To estimate a range of probable or reasonably possible loss, we evaluate each individual case in the manner described above. We do not accrue for matters for which a loss event is deemed remote.

For details regarding the nature of all material contingencies, refer to Note 31 to the Consolidated Financial Statements.

Loan Repurchase and Obligations Related to Loan Sales

The liability for representation and warranty obligations reflects management s best estimate of probable lifetime loss. We consider historic and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historic loan defect experience, historic and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we do not have or have limited current or historical demand experience with an investor, because of the inherent difficulty in predicting the level and timing of future demands, if any, losses cannot currently be reasonably estimated, and a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue with counterparties.

Determination of Provision for Income Taxes

As of June 30, 2009, we converted from an LLC to a Delaware corporation, thereby ceasing to be a pass-through entity for income tax purposes. As a result, we adjusted our deferred tax assets and liabilities to reflect the estimated future corporate effective tax rate. Our banking, insurance, and foreign subsidiaries were generally always corporations and continued to be subject to tax and provide for U.S. federal, state, and foreign income taxes.

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management s best assessment of estimated future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss). For the years ended December 31, 2011 and 2010, we have concluded that the negative evidence is more objective and therefore outweighs the positive evidence, and therefore we have recorded total valuation allowances on net deferred tax assets of $2.2 billion and $2.0 billion, respectively.

A sustained period of profitability in our U.S. operations is required before we would change our judgment regarding the need for a full valuation allowance against our net U.S. deferred tax assets. Our cumulative pretax losses in the three-year period ending with the current quarter are significant objectively verifiable negative evidence regarding future profitability. However, weight of this negative evidence decreased during 2011 as losses incurred during 2008 became more distant. We continue to believe, however, that losses experienced in the previous three-year period serve as negative evidence outweighing subjectively determined positive evidence, and accordingly, we have not changed our judgment regarding the need for a valuation allowance against our U.S. net deferred tax assets at December 31, 2011. Looking forward, continued decreases in negative objective evidence could potentially lead to a reversal of a portion of our U.S. valuation allowance in 2012. Until such time, utilization of tax attributes to offset U.S.-based taxable income will continue to reduce the overall level of our U.S. deferred tax assets and related valuation allowance.

For additional information regarding our provision for income taxes, refer to Note 25 to the Consolidated Financial Statements.

Recently Issued Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for further information related to recently adopted and recently issued accounting standards.

Statistical Tables

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

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Net Interest Margin Tables

The following tables present an analysis of net interest margin excluding discontinued operations for the periods shown.

Six months ended June 30, ***($ in millions)***	**Average balance (b)**	**2012 Interest income/ interest expense**	**Yield/ rate**	**Average balance (b)**	**2011 Interest income/ interest expense**	**Yield/ rate**	**Increase (decrease) due to (a) Volume**	**Yield/ rate**	**Total**
Assets									
Interest-bearing cash and cash equivalents	$ 11,620	$ 32	0.55%	$ 12,473	$ 27	0.44%	$ (2)	$ 7	$ 5
Trading assets	550	13	4.75	231	6	5.24	7		7
Investment securities (c)	13,470	158	2.36	14,450	198	2.76	(13)	(27)	(40)
Loans held-for-sale, net	6,023	109	3.64	8,597	170	3.99	(48)	(13)	(61)
Finance receivables and loans, net (d)	119,670	3,369	5.66	107,984	3,296	6.16	340	(267)	73
Investment in operating leases, net (e)	10,137	508	10.08	8,976	807	18.13	94	(393)	(299)
Total interest-earning assets	161,470	4,189	5.22	152,711	4,504	5.95	378	(693)	(315)
Noninterest-bearing cash and cash equivalents	2,350			1,026					
Other assets	22,228			24,430					
Allowance for loan losses	(1,512)			(1,840)					
Total assets	$ 184,536			$ 176,327					
Liabilities									
Interest-bearing deposit liabilities	$ 45,048	$ 370	1.65%	$ 39,270	$ 337	1.73%	$ 48	$ (15)	$ 33
Short-term borrowings	6,884	135	3.94	7,186	179	5.02	(7)	(37)	(44)
Long-term debt (f) (g) (h)	92,832	2,245	4.86	88,843	2,737	6.21	118	(610)	(492)
Total interest-bearing liabilities (f) (g) (i)	144,764	2,750	3.82	135,299	3,253	4.85	159	(662)	(503)
Noninterest-bearing deposit liabilities	2,195			2,098					
Total funding sources (g) (j)	146,959	2,750	3.76	137,397	3,253	4.77			
Other liabilities	18,479			18,498					
Total liabilities	165,438			155,895					
Total equity	19,098			20,432					
Total liabilities and equity	$ 184,536			$ 176,327					
Net financing revenue		$ 1,439			$ 1,251		$ 219	$ (31)	$ 188
Net interest spread (k)			1.40%			1.10%			
Net interest spread excluding original issue discount (k)			1.73			2.00			
Net interest spread excluding original issue discount and including noninterest bearing deposit liabilities (k)			1.78			2.06			
Net yield on interest-earning assets (l)			1.79			1.65			
Net yield on interest-earning assets excluding original issue discount (l)			2.05			2.38			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
(b) Average balances are calculated using a combination of monthly and daily average methodologies.
(c) Excludes income on equity investments of $12 million and $11 million during the six months ended June 30, 2012 and 2011, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.
(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.
(e) Includes gains on sale of $108 million and $286 million during the six months ended June 30, 2012 and 2011, respectively. Excluding these gains on sale, the annualized yield would be 7.94% and 11.73% at June 30, 2012 and 2011, respectively.
(f) Includes the effects of derivative financial instruments designated as hedges.
(g) Average balance includes $2,011 million and $2,761 million related to original issue discount at June 30, 2012 and 2011, respectively. Interest expense includes original issue discount amortization of $204 million and $550 million during the six months ended June 30, 2012 and 2011, respectively.
(h) Excluding original issue discount the rate on long-term debt was 4.33% and 4.81% at June 30, 2012 and 2011, respectively.
(i) Excluding original issue discount the rate on total interest-bearing liabilities was 3.49% and 3.95% at June 30, 2012 and 2011, respectively.
(j) Excluding original issue discount the rate on total funding sources was 3.44% and 3.89% at June 30, 2012 and 2011, respectively.
(k) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
(l) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

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Year ended December 31, *($ in millions)*	2011 Average balance (a)	2011 Interest income/ interest expense	2011 Yield/ rate	2010 Average balance (a)	2010 Interest income/ interest expense	2010 Yield/ rate	2009 Average balance (a)	2009 Interest income/ interest expense	2009 Yield/ rate
Assets									
Interest-bearing cash and cash equivalents	$ 12,376	$ 54	0.44%	$ 13,964	$ 69	0.49%	$ 14,065	$ 98	0.70%
Trading assets	366	19	5.19	252	15	5.95	985	132	13.40
Investment securities (b)	14,551	373	2.56	11,312	339	3.00	9,446	211	2.23
Loans held-for-sale, net	9,365	332	3.55	13,506	601	4.45	12,542	416	3.32
Finance receivables and loans, net (c)(d)	110,650	6,635	6.00	92,224	6,546	7.10	92,567	6,471	6.99
Investment in operating leases, net (e)	9,031	1,260	13.95	12,064	1,693	14.03	21,441	1,916	8.94
Total interest-earning assets	156,339	8,673	5.55	143,322	9,263	6.46	151,046	9,244	6.12
Noninterest-bearing cash and cash equivalents	1,305			686			1,144		
Other assets	24,948			35,040			28,910		
Allowance for loan losses	(1,756)			(2,363)			(3,208)		
Total assets	$ 180,836			$ 176,685			$ 177,892		
Liabilities									
Interest-bearing deposit liabilities	$ 41,136	$ 700	1.70%	$ 33,355	$ 641	1.92%	$ 24,159	$ 677	2.80%
Short-term borrowings	7,209	314	4.36	7,601	324	4.26	9,356	465	4.97
Long-term debt (f)(g)(h)	90,410	5,209	5.76	87,270	5,701	6.53	97,939	5,949	6.07
Total interest-bearing liabilities (f)(g)(i)	138,755	6,223	4.48	128,226	6,666	5.20	131,454	7,091	5.39
Noninterest-bearing deposit liabilities	2,239			2,082			1,955		
Total funding sources (g)(j)	140,994	6,223	4.41	130,308	6,666	5.12	133,409	7,091	5.32
Other liabilities	19,682			25,666			20,231		
Total liabilities	160,676			155,974			153,640		
Total equity	20,160			20,711			24,252		
Total liabilities and equity	$ 180,836			$ 176,685			$ 177,892		
Net financing revenue		$ 2,450			$ 2,597			$ 2,153	
Net interest spread (k)			1.07%			1.26%			0.73%
Net interest spread excluding original issue discount (k)			1.79%			2.32%			1.75%
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (k)			1.85%			2.38%			1.82%
Net yield on interest earning assets (l)			1.57%			1.81%			1.43%
Net yield on interest earning assets excluding original issue discount (l)			2.15%			2.65%			2.18%

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

(b)

Excludes income on equity investments of $25 million, $17 million and $9 million at December 31, 2011, 2010 and 2009, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status refer to Note 1 to the Consolidated Financial Statements.

(d) Includes other interest income of $20 million, $9 million and $92 million at December 31, 2011, 2010 and 2009, respectively.

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(e) Includes gains on sale of $395 million, $723 million and $530 million during the year ended December 31, 2011, 2010 and 2009, respectively. Excluding these gains on sale, the yield would be 9.58%, 8.04% and 9.64% at December 31, 2011, 2010 and 2009, respectively.

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

(g) Average balance includes $2,522 million, $3,710 million and $4,804 million related to original issue discount at December 31, 2011, 2010 and 2009, respectively. Interest expense includes original issue discount amortization of $912 million, $1,204 million and $1,143 million during the year ended December 31, 2011, 2010 and 2009, respectively.

(h) Excluding original issue discount the rate on long-term debt was 4.62%, 4.94% and 4.68% at December 31, 2011, 2010 and 2009, respectively.

(i) Excluding original issue discount the rate on total interest-bearing liabilities was 3.76%, 4.14% and 4.37% at December 31, 2011, 2010, and 2009, respectively.

(j) Excluding original issue discount the rate on total funding sources is 3.70%, 4.08% and 4.30% at December 31, 2011, 2010, and 2009, respectively.

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

(l) Net yield on interest earning assets represents net financing revenue as a percentage of total interest earning assets.

The following table presents an analysis of the changes in net interest income, volume and rate.

	2011 vs 2010			2010 vs 2009		
	Increase (decrease) due to (a)			Increase (decrease) due to (a)		
Year ended December 31, ***($ in millions)***	**Volume**	**Yield/ rate**	**Total**	**Volume**	**Yield/ rate**	**Total**
Assets						
Interest-bearing cash and cash equivalents	$ (8)	$ (7)	$ (15)	$ (1)	$ (28)	$ (29)
Trading assets	6	(2)	4	(67)	(50)	(117)
Investment securities	88	(54)	34	47	81	128
Loans held-for-sale, net	(162)	(107)	(269)	34	151	185
Finance receivables and loans, net	1,193	(1,104)	89	(24)	99	75
Investment in operating leases, net	(423)	(10)	(433)	(1,045)	822	(223)
Total interest-earning assets	$ 694	$ (1,284)	$ (590)	$ (1,056)	$ 1,075	$ 19
Liabilities						
Interest-bearing deposit liabilities	$ 138	$ (79)	$ 59	$ 213	$ (249)	$ (36)
Short-term borrowings	(17)	7	(10)	(80)	(61)	(141)
Long-term debt	199	(691)	(492)	(677)	429	(248)
Total interest-bearing liabilities	320	(763)	(443)	(544)	119	(425)

Net financing revenue	$ 374	$ (521)	$ (147)	$ (512)	$ 956	$ 444

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

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Outstanding Finance Receivables and Loans

The following table presents the composition of our on-balance sheet finance receivables and loans.

December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**2008**	**2007**
Consumer					
Domestic					
Consumer automobile	$ 46,576	$ 34,604	$ 12,514	$ 16,281	$ 20,030
Consumer mortgage					
1st Mortgage	6,997	7,057	7,960	13,542	24,941
Home equity	3,575	3,964	4,238	7,777	9,898
Total domestic	57,148	45,625	24,712	37,600	54,869
Foreign					
Consumer automobile	16,883	16,650	17,731	21,705	25,576
Consumer mortgage					
1st Mortgage	256	742	405	4,604	7,320
Home equity			1	54	4
Total foreign	17,139	17,392	18,137	26,363	32,900
Total consumer loans	74,287	63,017	42,849	63,963	87,769
Commercial					
Domestic					
Commercial and industrial					
Automobile (a)	26,552	24,944	19,604	16,913	17,463
Mortgage	1,887	1,540	1,572	1,627	3,001
Other	1,178	1,795	2,688	3,257	3,430
Commercial real estate					
Automobile	2,331	2,071	2,008	1,941	
Mortgage		1	121	1,696	2,943
Total domestic	31,948	30,351	25,993	25,434	26,837
Foreign					
Commercial and industrial					
Automobile (b)	8,265	8,398	7,943	10,749	11,922
Mortgage	24	41	96	195	614
Other	63	312	437	960	1,704
Commercial real estate					
Automobile	154	216	221	167	
Mortgage	14	78	162	260	536
Total foreign	8,520	9,045	8,859	12,331	14,776
Total commercial loans	40,468	39,396	34,852	37,765	41,613
Total finance receivables and loans (c)	$ 114,755	$ 102,413	$ 77,701	$ 101,728	$ 129,382
Loans held-for-sale	$ 8,557	$ 11,411	$ 20,625	$ 7,919	$ 20,559

(a) Amount includes Notes Receivable from General Motors of $3 million at December 31, 2009.

(b) Amounts include Notes Receivable from General Motors of $529 million, $484 million, $908 million, $1.7 billion, and $1.9 billion at December 31, 2011, 2010, 2009, 2008, and 2007, respectively.

(c) Includes historical cost, fair value, and repurchased loans.

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Nonperforming Assets

The following table summarizes the nonperforming assets in our on-balance sheet portfolio.

December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**2008**
Consumer				
Domestic				
Consumer automobile	$ 139	$ 129	$ 267	$ 294
Consumer mortgage				
1st Mortgage	316	452	782	2,547
Home equity	91	108	114	540
Total domestic	546	689	1,163	3,381
Foreign				
Consumer automobile	89	78	119	125
Consumer mortgage				
1st Mortgage	142	261	33	1,034
Home equity				
Total foreign	231	339	152	1,159
Total consumer (a)	777	1,028	1,315	4,540
Commercial				
Domestic				
Commercial and industrial				
Automobile	105	261	281	1,448
Mortgage			37	140
Other	22	37	856	64
Commercial real estate				
Automobile	56	193	256	153
Mortgage		1	56	1,070
Total domestic	183	492	1,486	2,875
Foreign				
Commercial and industrial				
Automobile	118	35	66	7
Mortgage		40	35	
Other	15	97	131	19
Commercial real estate				
Automobile	11	6	24	2
Mortgage	12	70	141	143
Total foreign	156	248	397	171
Total commercial (b)	339	740	1,883	3,046
Total nonperforming finance receivables and loans	1,116	1,768	3,198	7,586
Foreclosed properties	82	150	255	787
Repossessed assets (c)	56	47	58	95

Total nonperforming assets	$ 1,254	$ 1,965	$ 3,511	$ 8,468
Loans held-for-sale	$ 2,820	$ 3,273	$ 3,390	$ 731

(a) Interest revenue that would have been accrued on total consumer finance receivables and loans at original contractual rates was $100 million during the year ended December 31, 2011. Interest income recorded for these loans was $48 million during the year ended December 31, 2011.

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(b) Interest revenue that would have been accrued on total commercial finance receivables and loans at original contractual rates was $41 million during the year ended December 31, 2011. Interest income recorded for these loans was $25 million during the year ended December 31, 2011.

(c) Repossessed assets exclude $3 million, $14 million, $23 million, and $34 million of repossessed operating lease assets at December 31, 2011, 2010, 2009, and 2008, respectively.

Accruing Finance Receivables and Loans Past Due 90 Days or More

The following table presents our on-balance sheet accruing loans past due 90 days or more as to principal and interest.

December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**2008**
Consumer				
Domestic				
Consumer automobile	$	$	$	$ 19
Consumer mortgage				
1st Mortgage	1	1	1	33
Home equity				
Total domestic	1	1	1	52
Foreign				
Consumer automobile	3	5	5	40
Consumer mortgage				
1st Mortgage			1	
Home equity				
Total foreign	3	5	6	40
Total consumer	4	6	7	92
Commercial				
Domestic				
Commercial and industrial				
Automobile				
Mortgage				
Other				
Commercial real estate				
Automobile				
Mortgage				
Total domestic				
Foreign				
Commercial and industrial				
Automobile				
Mortgage				
Other			3	
Commercial real estate				
Automobile				
Mortgage				
Total foreign			3	

Total commercial			3	
Total accruing finance receivables and loans past due 90 days or more	$ 4	$ 6	$ 10	$ 92
Loans held-for-sale	$ 73	$ 25	$ 33	$ 7

Allowance for Loan Losses

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

($ in millions)	2011	2010	2009	2008	2007
Balance at January 1,	$ 1,873	$ 2,445	$ 3,433	$ 2,755	$ 3,576
Cumulative effect of change in accounting principles (a)		222		(616)	(1,540)
Charge-offs					
Domestic	(667)	(1,297)	(3,380)	(2,192)	(2,398)
Foreign	(213)	(349)	(633)	(347)	(293)
Write-downs related to transfers to held-for-sale			(3,438)		
Total charge-offs	(880)	(1,646)	(7,451)	(2,539)	(2,691)
Recoveries					
Domestic	227	363	276	219	224
Foreign	100	85	76	71	74
Total recoveries	327	448	352	290	298
Net charge-offs	(553)	(1,198)	(7,099)	(2,249)	(2,393)
Provision for loan losses	219	442	5,603	3,102	3,038
Discontinued operations		(4)	567	308	29
Other	(36)	(34)	(59)	133	45
Balance at December 31,	$ 1,503	$ 1,873	$ 2,445	$ 3,433	$ 2,755

(a) Effect of change in accounting principle due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities.*

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Allowance for Loan Losses by Type

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

	2011		2010		2009		2008		2007	
December 31, *($ in millions)*	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Consumer										
Domestic										
Consumer automobile	$ 600	39.9	$ 769	41.0	$ 772	31.6	$ 1,115	32.5	$ 1,033	37.5
Consumer mortgage										
1st Mortgage	275	18.3	322	17.2	387	15.8	525	15.3	540	19.6
Home equity	237	15.8	256	13.7	251	10.3	177	5.2	243	8.8
Total domestic	1,112	74.0	1,347	71.9	1,410	57.7	1,817	53.0	1,816	65.9
Foreign										
Consumer automobile	166	11.1	201	10.7	252	10.2	279	8.1	276	10.0
Consumer mortgage										
1st Mortgage	4	0.2	2	0.1	2	0.1	409	11.9	49	1.8
Home equity							31	0.9		
Total foreign	170	11.3	203	10.8	254	10.3	719	20.9	325	11.8
Total consumer loans	1,282	85.3	1,550	82.7	1,664	68.0	2,536	73.9	2,141	77.7
Commercial										
Domestic										
Commercial and industrial										
Automobile	62	4.0	73	3.9	157	6.4	178	5.2	36	1.3
Mortgage	1	0.1			10	0.4	93	2.7	483	17.5
Other	52	3.5	97	5.2	322	13.2	65	1.9	66	2.4
Commercial real estate										
Automobile	39	2.6	54	2.9						
Mortgage					54	2.2	458	13.3		
Total domestic	154	10.2	224	12.0	543	22.2	794	23.1	585	21.2
Foreign										
Commercial and industrial										
Automobile	48	3.2	33	1.7	54	2.2	45	1.3	26	1.0
Mortgage	10	0.7	12	0.7	20	0.8	3	0.1		
Other	1	0.1	39	2.1	111	4.6	9	0.3	3	0.1
Commercial real estate										
Automobile	3	0.2	2	0.1						
Mortgage	5	0.3	13	0.7	53	2.2	46	1.3		
Total foreign	67	4.5	99	5.3	238	9.8	103	3.0	29	1.1
Total commercial loans	221	14.7	323	17.3	781	32.0	897	26.1	614	22.3
Total allowance for loan losses	$ 1,503	100.0	$ 1,873	100.0	$ 2,445	100.0	$ 3,433	100.0	$ 2,755	100.0

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Deposit Liabilities

The following table presents the average balances and interest rates paid for types of domestic and foreign deposits.

	2011		2010		2009	
Year ended December 31, *($ in millions)*	**Average balance (a)**	**Average deposit rate**	**Average balance (a)**	**Average deposit rate**	**Average balance (a)**	**Average deposit rate**
Domestic deposits						
Noninterest-bearing deposits	$ 2,237	%	$ 2,071	%	$ 1,955	%
Interest-bearing deposits						
Savings and money market checking accounts	9,696	0.88	8,015	1.21	5,941	1.66
Certificates of deposit	26,109	1.77	21,153	2.04	16,401	3.33
Dealer deposits	1,685	3.87	1,288	4.00	671	4.09
Total domestic deposit liabilities	39,727	1.55	32,527	1.78	24,968	2.70
Foreign deposits						
Noninterest-bearing deposits	2		11			
Interest-bearing deposits						
Savings and money market checking accounts	1,158	2.03	550	2.01	117	6.57
Certificates of deposit	2,166	2.23	2,107	2.83	1,029	2.25
Dealer deposits	322	4.30	242	4.47		
Total foreign deposit liabilities	3,648	2.35	2,910	2.80	1,146	2.69
Total deposit liabilities	$ 43,375	1.61%	$ 35,437	1.86%	$ 26,114	2.70%

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

The following table presents the amount of domestic certificates of deposit in denominations of $100 thousand or more segregated by time remaining until maturity.

December 31, 2011 *($ in millions)*	**Three months or less**	**Over three months through six months**	**Over six months through twelve months**	**Over twelve months**	**Total**
Domestic certificates of deposit ($100,000 or more)	$ 1,531	$ 1,750	$ 2,748	$ 3,956	$ 9,985

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BUSINESS

General

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, globally diversified, financial services firm with $178.6 billion in assets. Founded in 1919, we are a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended (the BHC Act). Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (online and telephonic) banking market, with $42.7 billion of deposits at June 30, 2012.

Our Business

Global Automotive Services and Mortgage are our primary lines of business. Our Global Automotive Services business is centered around our strong and longstanding relationships with automotive dealers and supports our automotive manufacturing partners and their marketing programs. Our Global Automotive Services business serves over 22,000 dealers globally with a wide range of financial services and insurance products. We believe our dealer-focused business model makes us the preferred automotive finance company for thousands of our automotive dealer customers. We have specialized incentive programs that are designed to encourage dealers to direct more of their business to us. In addition, we believe our longstanding relationship with GM and our recent relationship with Chrysler Group LLC (Chrysler) has resulted in particularly strong relationships between us and thousands of dealers and extensive operating experience relative to other automotive finance companies.

Ally Bank, our direct banking platform, provides our automotive finance and mortgage loan operations with a stable and low-cost funding source and facilitates prudent asset growth. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through a direct banking channel over the internet and by telephone. Ally Bank offers a full spectrum of deposit product offerings including certificates of deposit, savings accounts, money market accounts, IRA (individual retirement account) deposit products, as well as an online checking product. We continue to expand the product offerings in our banking platform in order to meet customer needs. Ally Bank s assets and operating results are divided between our North American Automotive Finance operations and Mortgage operations based on its underlying business activities.

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The following table reflects the primary products and services offered by the continuing operations of each of our lines of business.

(a) On May 14, 2012, we announced that we have determined to explore strategic alternatives for all of our international operations.

(b) During the second quarter of 2012, Ally Bank decided to exit the warehouse lending business; and accordingly is not taking on new warehouse lending clients.

(c) On November 2, 2011, we announced that in order to proactively address changes in the mortgage industry as a whole, we will be taking immediate action to reduce the focus on the correspondent mortgage lending channel.

Global Automotive Services

Global Automotive Services includes our North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations. Our Global Automotive Services business had $128.6 billion of assets at June 30, 2012, and generated $3.2 billion of total net revenue in the first six months of 2012.

Our primary customers are automotive dealers, which are independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically originate loans and leases to their retail customers. Dealers then select Ally or another automotive finance provider to which they sell loans and leases.

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Our Global Automotive Services operations offer a wide range of financial services and insurance products to over 22,000 automotive dealerships and 6.0 million of their retail customers. We have deep dealer relationships that have been built over our 90-year history. Our dealer-focused business model encourages dealers to use our broad range of products through incentive programs like our Ally Dealer Rewards program, which rewards individual dealers based on the depth and breadth of our relationship. During the first six months of 2012 and fiscal year 2011, 69% and 70%, respectively, of our U.S. automotive dealer customers received benefits under the Ally Dealer Rewards program, which was initiated in 2009. We expect even higher participation levels going forward as all of our automotive dealer customers are eligible to participate in the program. Our automotive finance services include providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer vehicle service contracts and commercial insurance primarily covering dealers wholesale vehicle inventories in the United States. We are a leading provider of vehicle service contracts, and maintenance coverage.

Global Automotive Services is supported by approximately 8,400 employees worldwide. A significant portion of our Global Automotive Services business is conducted with or through GM- and Chrysler-franchised dealers and their customers.

Automotive Finance

Our North American Automotive Finance operations consist of our automotive finance operations in the United States and Canada. At June 30, 2012, our North American Automotive Finance operations had $104.9 billion of assets and generated $1.8 billion and 3.6 billion of total net revenue in the first six months of 2012 and fiscal year 2011, respectively. According to Experian Automotive, we were the largest independent provider of new retail automotive loans in the United States during 2011. We funded one out of every ten new car purchases that were financed in the United States during 2011. In the United States and Canada we have approximately 2,100 automotive finance and insurance employees in five regions focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 1,900 employees that support our North American servicing operations. We manage commercial account servicing for over 5,000 dealers in the United States that utilize our floorplan inventory lending or other commercial loans. In the United States and Canada, we provide consumer asset servicing for a $80.6 billion portfolio at June 30, 2012. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers.

Our International Automotive Finance Operations primarily consists of entities that are under strategic review to be sold and non-core business activities including portfolios in run-off. These operations exist in Asia, Latin American and Europe. At June 30, 2012, our International Automotive Finance operations had $15.5 billion of assets and generated $460 million and $901 million of total net revenue in the first six months of 2012 and fiscal year 2011, respectively.

Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers who originate loans and leases to their retail customers who are acquiring new and used automobiles. In the United States and Canada, Ally and other automotive finance providers purchase these loans and leases from automotive dealers. In other countries, we offer retail installment loans and leases directly to retail customers of the dealers. Automotive dealers are independently owned businesses and are our primary customer. Our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as broadening our network of dealer relationships. During 2011, we continued to focus on the used vehicle market, which resulted in strong growth in used vehicle origination volume compared to 2010. Additionally, during 2011, we expanded the Ally Buyer s Choice product on new GM and Chrysler vehicles from Canada to select states in the United States. The Ally Buyer s Choice financing product allows customers to

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own their vehicle with a fixed rate and payment with the option to sell it to us at a pre-determined point during the contract term and at a pre-determined price.

Automotive dealers require a full range of financial products, including new and used vehicle inventory financing, inventory insurance, working capital and capital improvement loans, and vehicle remarketing services to conduct their respective businesses as well as service contracts and guaranteed asset protection (GAP) products to offer their customers. We have consistently provided this full suite of products to dealers.

For consumers, we offer retail automotive financing for new and used vehicles and leasing for new vehicles. In the United States, retail financing for the purchase of vehicles takes the form of installment sale financing. References to consumer automobile loans in this document include installment sales financing unless the context suggests otherwise. During the first six months of 2012 and fiscal year 2011, we originated a total of 1.2 million and 2.3 million automotive loans and leases worldwide totaling approximately $26.8 billion and $53.3 billion respectively. We provided financing for 32% and 26% of GM s and Chrysler s North American retail sales including leases, respectively, and 30% of GM s international retail sales including leases in countries where both GM and we operate and we had retail financing volume, excluding China. For additional information about our relationship and business transactions with GM, refer to Item 13. Certain Relationships and Related Transactions, and Director Independence.

Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. We also recognize a gain or loss on the remarketing of the vehicles financed through lease contracts at the end of the lease. When the lease contract is originated, we estimate the residual value of the leased vehicle at lease termination. Periodically we revise the projected value of the leased vehicle at lease termination. Our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value.

Automotive manufacturers may elect as a marketing incentive to sponsor special financing programs for retail sales of their respective vehicles. The manufacturer can lower the financing rate paid by the customer on either a retail contract or a lease by paying us the present value of the difference between the customer rate and our standard market rates at contract inception. These marketing incentives are referred to as rate support or subvention. GM may also from time to time offer lease pull-ahead programs, which encourage consumers to terminate existing leases early if they acquire a new GM vehicle. As part of these programs, we waive all or a portion of the customer s remaining payment obligation. In most cases, GM compensates us for a portion of the foregone revenue from those waived payments after consideration of the extent that our remarketing sale proceeds are higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity. Historically, the manufacturer elected to lower a customer s lease payments through a residual support incentive program; in these instances, the manufacturer and we agreed to increase the projected value of the vehicle at the time the lease contract was signed, and the manufacturer reimbursed us if the remarketing sales proceeds were less than the adjusted residual value. Over the past several years, automotive manufacturers have primarily supported leasing products through rate support programs.

Our commercial automotive financing operations primarily fund dealer inventory purchases of new and used vehicles, commonly referred to as wholesale or floorplan financing. This represents the largest portion of our commercial automotive financing business. We extend lines of credit to individual dealers. In general, each wholesale credit line is secured by all the vehicles financed and, in some instances, by other assets owned by the dealer or by a personal guarantee. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles. Interest on wholesale automotive financing is generally payable monthly and is usually indexed to a floating rate benchmark. The rate for a particular dealer is based on the dealer s creditworthiness and eligibility for various incentive programs, among other factors. During 2011, we financed an average of $34.3 billion of dealer vehicle inventory worldwide through wholesale or floorplan financings. We financed 80% and 66% of GM s and Chrysler s North American dealer inventory, respectively, during the first six months of 2012, and 79% of GM s international dealer inventory in countries where GM operates and we provide dealer inventory financing, excluding China. Additional commercial offerings include automotive dealer term loans, revolving lines of credit, and dealer fleet financing. We provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions. In 2011, we and others utilized SmartAuction to sell 344,000 vehicles to dealers and other commercial customers. SmartAuction served as the remarketing channel for 61% of Ally s off-lease vehicles.

Manufacturer Relationships

On November 30, 2006, we entered into an agreement with GM that, subject to certain conditions and limitations, whenever GM offers vehicle financing and leasing incentives to customers, it would do so exclusively through Ally. This agreement was subsequently modified on May 22, 2009. As a result of these modifications: (1) after December 31, 2010, GM became permitted to offer any incentive programs on a graduated basis through third parties on a nonexclusive, side-by-side basis with Ally provided that the pricing of the third parties meets certain requirements; (2) Ally has no obligation to provide operating lease financing products; and (3) Ally has no targets against which it could be assessed penalties. The modified agreement will expire on December 31, 2013. A primary objective of Ally under the agreement continues to be supporting distribution and marketing of GM products.

On August 6, 2010, we entered into an agreement with Chrysler (which replaced a term sheet that was originally effective on April 30, 2009) to make available automotive financing products and services to Chrysler dealers and customers. We are Chrysler s preferred provider of new wholesale financing for dealer inventory in the United States, Canada, and Mexico, along with other international markets upon the mutual agreement of the parties. We provide dealer financing and services and retail financing to qualified Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion. Chrysler is obligated to provide us with certain exclusivity privileges including the use of Ally for designated minimum threshold percentages of certain Chrysler retail financing subvention programs. The agreement expires on April 30, 2013. During 2010, Chrysler also selected Ally to be the preferred financing provider for Fiat vehicles in the United States. Under this agreement, our North American Automotive Finance operations will offer retail financing, leasing, wholesale financing, working capital and facility loans, and remarketing services for Fiat vehicles in the United States.

Subvented loans, originated through our preferred financing relationships, represented 36% of our 2011 North American new retail loan and lease origination volume, respectively, compared to 41% in 2010 and 52% in 2009. For non-subvented retail loan originations, we successfully compete at the dealer-level based on our strong dealer relationships, competitive pricing, full suite of products, and comprehensive service.

We have further diversified our customer base by establishing agreements to become preferred financing providers with other manufacturers including Thor Industries, Maserati, The Vehicle Production Group LLC Forest River, and Mitsubishi Motors.

Insurance

Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts and maintenance coverage. We also underwrite selected commercial insurance coverages, which primarily insure dealers wholesale vehicle inventory in the United States. Additionally, the Insurance operations offer GAP products in the United States and personal automobile insurance coverage in certain countries outside the United States. Our Insurance operations had $8.2 billion of assets at June 30, 2012, and generated $899 million and $1.9 billion of total net revenue in the first six months of 2012 and fiscal year 2011, respectively.

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Our vehicle service contracts for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer s new vehicle warranty. These vehicle service contracts are marketed to the public through automotive dealerships and on a direct response basis in the United States and Canada. The vehicle service contracts cover virtually all vehicle makes and models. We also offer GAP products, which allow the recovery of a specified economic loss beyond the covered vehicle s value in the event the vehicle is damaged and declared a total loss.

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers floorplan vehicles. Dealers are generally required to maintain this insurance by their floorplan finance provider. We offer vehicle inventory insurance in the United States to virtually all new car franchised dealerships. We sell insurance products to approximately 4,000 dealers in the United States. Among U.S. GM dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 79%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits. Our ABA Seguros subsidiary provides personal automobile insurance and certain commercial insurance in Mexico. We also provide personal automobile insurance in Canada.

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

Mortgage

Our Mortgage operations consist of originating, purchasing, and selling conforming and government-insured residential mortgage loans in the United States. We also originate a small amount of high quality prime jumbo mortgage loans in the United States. Our Mortgage operations also consist of noncore business activities including portfolios in run-off and wind-down of our warehouse lending business. Our Mortgage operations had $17.1 billion in assets at June 30, 2012.

In the first six months of 2012, we originated or purchased $14.5 billion of U.S. residential mortgage loans. Conforming and government-insured residential mortgage loans comprised 92.8% of our first six months of 2012 originations. Since the onset of the housing crisis, we have reduced our overall mortgage assets from $135.1 billion in 2006 to $17.1 billion at June 30, 2012, primarily through the run-off and divestiture of noncore businesses and assets; and the deconsolidation of Residential Capital, LLC and certain of its wholly-owned subsidiaries (collectively, ResCap), ResCap filed a voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York on May 14, 2012.

Corporate and Other

Corporate and Other primarily consists of our centralized corporate treasury and deposit gathering activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to small and medium sized businesses primarily in the United States.

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Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. We have quickly become a leader in direct banking with our recognizable brand, accessible 24/7 customer service, and competitively priced deposit products. We have distinguished our direct bank with our Talk Straight, Do Right, Be Obviously Better branding and products that are Easy to Use with No Fine Print, Hidden Fees, Rules or Penalties.

Ally Bank provides our automotive finance and mortgage loan operations with a stable and low-cost funding source and facilitates prudent asset growth. At June 30, 2012, we had $42.7 billion of deposits including $30.4 billion of retail deposits sourced by Ally Bank. The focus on retail deposits and growth in our deposit base from $19.2 billion at the end of 2008 to $42.7 billion at June 30, 2012, combined with improving capital markets and a lower interest rate environment have contributed to a reduction in our cost of funds of approximately 178 basis points since the first quarter of 2009. Looking forward, our cost of funds will be influenced by changes in the level of deposits as well as the interest rate environment and the state of capital markets.

Consumer preferences for the online banking model have grown consistently over the past several years. We believe internet banking is now the preferred banking channel by consumers. According to a 2011 American Bankers Association survey, the number of bank customers who prefer to do their banking online increased to 62% in 2011 from just 36% in 2010. The survey also showed those who prefer branch banking declined from 25% to 20% over the same period. We have received a positive response to innovative product offerings launched in 2011, including IRA deposit products, 48-month raise your rate certificates of deposit, pop money, eCheck deposit, and the Ally Perks debit rewards program. We believe that Ally Bank is well-positioned to take advantage of the consumer-driven shift from branch to direct banking.

Industry and Competition

The markets for automotive and mortgage financing, banking, and insurance are highly competitive. The market for automotive financing has grown more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes through the economic cycle during the past three years. More recently, competition for automotive financing has further intensified as a growing number of banks have become increasingly interested in automotive-finance assets. In addition, our mortgage business and Ally Bank face significant competition from commercial banks, savings institutions, mortgage companies, and other financial institutions. Our insurance business also faces significant competition from automotive manufacturers, insurance carriers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much less reliant on securitization activities, unsecured debt, and other public markets. We face significant competition in most areas, including product offerings, rates, pricing and fees, and customer service. Further, there has been significant consolidation among companies in the financial services industry, which is expected to continue. This is likely to result in larger and better capitalized competitors.

The markets for automotive and mortgage securitizations and whole-loan sales are also competitive, and other issuers and originators could increase the amount of their issuances and sales. In addition, lenders and other investors within those markets often establish limits on their credit exposure to particular issuers, originators, and asset classes, or they may require higher returns to increase the amount of their exposure. Increased issuance by other participants in the market or decisions by investors to limit their credit exposure to (or to require a higher yield for) us or to automotive or mortgage securitizations or whole-loans could negatively affect our ability and that of our subsidiaries to price our securitizations and whole-loan sales at attractive rates. The result would be lower proceeds from these activities and lower profits for our subsidiaries and us.

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Our Strengths

Automotive financial services category leader with full product suite.

We are one of the largest providers of retail and wholesale automotive financing in the United States and are an integral part of the automotive industry. We believe that our over 90-year history has provided us extensive knowledge of the automotive industry and the financial services needs of its dealers, automotive manufacturers, and retail consumers.

Our full suite of financing and insurance products and extensive on-site service relationships differentiate us from most of our competitors. As of June 30, 2012, over 5,000 of our automotive dealer customers utilized four or more of our products. We use incentive programs, such as our Ally Dealer Rewards program, to increase the volume of business and number of products used by our dealer customers. During the first six months of 2012, and fiscal year 2011 69% and 70%, respectively of our U.S. dealer customers received benefits under the Ally Dealer Rewards program, which was initiated in 2009.

Implementation of our market-driven strategies since 2008 has enabled us to grow our Global Automotive Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. Since 2008, in the United States we have successfully added preferred provider agreements, including Chrysler (including Fiat), Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River and Mitsubishi Motors. Our strong relationships with manufacturers have allowed us to offer more products, expand our dealer base and strengthen our existing network of dealer relationships. We have increased our U.S. new non-GM retail originations from $663 million in 2006 to $10.4 billion in 2011 and from $4.9 billion in the first six months of 2011 to $5.8 billion in the first six months of 2012.

We believe that the combination of our full suite of products, service standards, incentive programs, and funding strategy put us in a strong position relative to competing financial institutions and future entrants to the market.

Scalable platform with significant growth opportunities.

We are well-positioned for growth as the U.S. economy recovers and U.S. SAAR of vehicle sales rebounds from its 2008-2009 recessionary levels. Consumer and business spending on automobiles has recovered from recent lows but remains well below historical average levels. The chart below shows historical consumer, business and government spending on automobiles as a percentage of U.S. GDP.

Source: Bureau of Economic Analysis, U.S. Department of Commerce

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The chart below shows historical and projected U.S. SAAR (in millions):

Source: Bureau of Economic Analysis as to 2006-2011 data and Blue Chip Economic Indicators, Vol. 37, No. 8, as to projected 2012-2013 data and Vol. 37, No. 3 as to projected 2014 data.

In the United States and Canada, we have approximately 2,100 automotive finance and insurance employees dedicated to dealer sales, product support, lending and underwriting. This infrastructure allows us to accommodate our growing volume of business and support our existing customers. We maintain a dedicated sales force, which meets the needs of our existing dealer customers, expands our market penetration in the dealer network and supports our existing and new automotive manufacturing partners. Our sales force consists of direct dealer account relationship professionals, supplemental product support coverage professionals, and primary manufacturer relationship account professionals.

We also have invested significantly in our technology infrastructure and other initiatives to support our automotive financing and banking services platforms to further enhance our dealer and retail customer relationships and increase business volumes. This focus has resulted in increased credit application flow and originations from dealers representing various manufacturers, including GM and Chrysler. We are now able to access applications from almost all U.S. automotive dealerships under any brand. The combination of our extensive infrastructure, our relationships with finance and insurance departments of dealers, and our participation in the major credit application on-line networks, provides us with a strong platform to efficiently grow our consumer business volumes across a broad mix of automotive dealers.

In addition, we expect our incentive programs, such as Ally Dealer Rewards and other market-driven strategies, to increase business volumes and the number of products used by dealers. Other major initiatives underway such as dealer diversification strategies and additional preferred relationships with other manufacturers should increase our consumer retail, lease, and dealer funding volumes. The used vehicle financing market is highly fragmented and we believe this provides us with a growth opportunity within our franchised dealer relationships.

Leading direct banking franchise.

We believe Ally Bank is well-positioned for continued growth within the direct banking market. The Ally Bank brand has attained strong recognition since it was launched in 2009. Ally Bank provides us with a diversified source of stable, low-cost funding. The bank s assets primarily consist of high quality commercial and consumer automotive finance receivables and conforming and government-insured residential mortgage loans originated through our automotive and mortgage businesses, respectively. We believe there are opportunities to deliver other products to our growing banking customer base, in addition to our full suite of deposit, savings and checking products.

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Strong balance sheet, liquidity position and risk management.

We believe that the consumer automotive loans on our balance sheet reflect the significantly tighter underwriting standards across the credit spectrum that we adopted since 2008. Our underwriting process utilizes a robust combination of credit metrics, including, among others, FICO scores, loan-to-value ratios, debt-to-income ratios and proprietary scoring models. The average FICO score at origination of the U.S. new retail loans in our outstanding portfolio as of June 30, 2012 was 713. We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During the first six months of 2012 and fiscal year 2011, the loss rate on our U.S. consumer automotive portfolio was 0.39% and 0.60%, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process, which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. During the first six months of 2012 and fiscal year 2011, the loss rate on our U.S. commercial automotive portfolio was 0.0% and 0.05%, respectively.

The loans originated in our mortgage operations are currently comprised primarily of high credit quality conforming, government-insured and prime jumbo residential mortgage loans. At June 30, 2012, we held reserves of $124 million for potential repurchase obligations for loans we sold to counterparties.

We have demonstrated strong access to funding and liquidity that are critical to our business. During the first six months of 2012, we raised $16.5 billion of secured and unsecured funding in the capital markets. We also have significant liquidity available beyond capital markets funding with access to $39.3 billion of liquidity in the form of cash, highly liquid unencumbered securities, and available committed credit facility capacity at June 30, 2012.

Our access to deposits is an important source of diversified funding. Approximately 31% of our funding at the end of 2011 came from deposits compared to 14% at the end of 2008. We believe Ally Bank gives us the stable, low-cost benefits of deposit funding with a direct-to-consumer delivery model. Ally Bank s leadership in direct banking, recognizable brand and compelling customer value proposition position us well for consistent growth.

Our balance sheet is well capitalized. At June 30, 2012, we had a Tier 1 capital ratio of 13.68%, and a Tier 1 common ratio of % pro forma for this offering. We believe this capitalization compares favorably to our peers and positions us well for the future.

Experienced management team.

Our senior management team is comprised of financial professionals with deep operating experience in automotive and consumer finance and extensive experience managing some of the largest and most successful financial institutions in the world. Our senior management team has successfully led us to consistent profitability in our core automotive finance operations and the development of our strong liquidity and capital position following the financial crisis. Our management team has taken significant actions to make our automotive finance business more efficient and better positioned for growth opportunities. Our capital structure and prudent liquidity actions by management have positioned us for growth as the automotive industry and overall economy continue to rebound.

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Our Business Strategy

Expand our position as a leading global provider of automotive financial services products.

We believe that our dealer-focused business model, full range of product offerings and sales organization position us to further broaden our relationships with existing and new dealers and automotive manufacturers, and to originate attractive retail automotive loans and leases for our portfolio in addition to other products. Our market-driven strategies, including incentive programs, have been designed and implemented to drive higher business volumes with our dealer relationships. Furthermore, we have dedicated resources to the underwriting and financing of used vehicle sales that should allow us to expand loan origination volume with our existing dealer base. We are also leveraging our existing dealer relationships, product suite, and extensive operating experience to expand our diversified dealer network and facilitate financing relationships with additional automotive manufacturers. We intend to continue to strongly support our financing relationships with GM and Chrysler by providing dependable new car inventory and consumer financing through all economic cycles. Our objective is to generate incremental profitability and asset growth without straying from our core competencies in automotive finance.

Reduce our funding costs and continue funding diversification.

We continue to expand and diversify our funding in order to improve our profitability and enhance our competitiveness. Our success at developing our franchise at Ally Bank has supported the growth of our retail deposit base to $30.4 billion at June 30, 2012 from $7.2 billion at the end of 2008. Our retail deposit growth has enabled us to diversify and reduce our cost of funds since 2008. Our strategy is to continue to increase our retail deposit base through the delivery of our full suite of deposit products and continued investment in the Ally Bank brand name.

Our objective is to attain investment grade credit ratings from the rating agencies. We believe that improved ratings will help us to reduce our cost of funds further and improve our ability to compete even more effectively with other large banks and financial institutions across all products. We believe that the stable performance of our asset base, strong capitalization, demonstrated access to diversified funding markets, and the ability to operate profitably will help us reach this goal over time.

By continuing to diversify our funding sources and lower our overall cost of funding, including the prudent growth of Ally Bank, we believe that we can provide even more efficient and consistent funding for our dealers and their retail customers through various economic cycles.

Maintain a strong balance sheet through disciplined origination, servicing and risk management.

We will continue to focus primarily on originating and managing secured automotive and related products. The types of secured commercial and consumer automotive loans that we originate performed well through the recent financial crisis. Our Mortgage operations originate conforming, government-insured residential and prime jumbo residential mortgage loans.

We believe that we maintain strong levels of capital and liquidity relative to other bank holding companies. Our strategy is to materially increase our volume of automotive finance assets within our existing infrastructure and with prudent underwriting criteria which we believe will allow us to efficiently utilize our capital and enhance our profitability.

Improve our shareholder return profile.

We seek to enhance our returns for shareholders by prudently originating loans and leases across the credit spectrum. We have also recently increased our focus on offering financing for used vehicles through our franchised dealer relationships. We have invested significant capital in risk management and technology to

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manage this expansion. By prudently expanding automotive originations across broad credit segments and with continued diversification, we believe we can increase asset yields and generate attractive risk-adjusted returns in a variety of interest rate and credit environments. We plan to continue to decrease our overall costs by increasing productivity, adding retail deposits, and efficiently accessing secured and unsecured wholesale markets as certain higher-cost legacy funding matures. The combination of higher asset yields and lower operating and funding costs with an efficient capital structure will provide opportunities for us to improve returns to our shareholders.

Certain Regulatory Matters

We are subject to various regulatory, financial, and other requirements of the jurisdictions in which our businesses operate. In light of recent conditions in the global financial markets, regulators have increased their focus on the regulation of the financial services industry. As a result, proposals for legislation that could increase the scope and nature of regulation of the financial services industry are possible. The following is a description of some of the primary laws and regulations that currently affect our business.

Bank Holding Company Status

Ally Financial Inc. (Ally) and IB Finance Holding Company, LLC (IB Finance) are both bank holding companies under the BHC Act. IB Finance is the direct holding company for Ally s FDIC-insured depository institution, Ally Bank. As a bank holding company, Ally is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (FRB). Ally must also comply with regulatory risk-based capital and leverage requirements, as well as various safety and soundness standards imposed by the FRB, and is subject to certain statutory restrictions concerning the types of assets or securities it may own and the activities in which it may engage. Ally Bank, our direct banking subsidiary, is not a member of the Federal Reserve System and is subject to supervision, examination and regulation by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI). This regulatory oversight is established to protect depositors, the FDIC s Deposit Insurance Fund, and the banking system as a whole, not security holders, and in some instances may be contrary to their interests.

Permitted Activities As a bank holding company, subject to certain exceptions, Ally is not permitted to acquire more than 5% of any class of voting shares of any nonaffiliated bank or bank holding company, directly or indirectly, or to acquire control of any other company, directly or indirectly (including by acquisition of 25% or more of a class of voting shares), without first obtaining FRB approval. Furthermore, the activities of Ally must be generally limited to banking or to managing or controlling banks or to other activities deemed closely related to banking or otherwise permissible under the BHC Act. Likewise, Ally generally may not hold more than 5% of any class of voting shares of any company unless that company s activities conform with the above requirements. Upon our bank holding company approval on December 24, 2008, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This grace period expired in December 2010. The FRB initially granted a one-year extension that expired in December 2011, and recently granted a second one-year extension that expires in December 2012. We will be permitted to apply to the FRB for one additional one-year extension. Absent a further extension, certain of Ally s existing activities and investments deemed impermissible under the BHC Act must be terminated or disposed of by the expiration of the grace period and any extensions. For further information, refer to the section of this prospectus entitled Risk Factors.

Gramm-Leach-Bliley Act The enactment of the Gramm-Leach-Bliley Act of 1999 (GLB Act) eliminated large parts of a regulatory framework that had its origins in the Depression era of the 1930s. Effective with its enactment, new opportunities became available for banks, other depository institutions, insurance companies, and securities firms to enter into combinations that permit a single financial services organization to offer customers a more comprehensive array of financial products and services. To further this goal, the GLB Act amended the BHC Act by providing a new regulatory

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framework applicable to financial holding companies, which are bank holding companies that meet certain qualifications and elect financial holding company status. The FRB supervises, examines, and regulates financial holding companies, as it does all bank holding companies. However, insurance and securities activities conducted by a financial holding company or its nonbank subsidiaries are regulated primarily by functional regulators. As a bank holding company, we would be eligible to elect financial holding company status upon satisfaction of certain regulatory requirements applicable to us and to Ally Bank (and any depository institution subsidiary that we may acquire in the future). We do not currently satisfy these requirements. As a financial holding company, Ally would then be permitted to engage in a broader range of financial and related activities than those that are permissible for bank holding companies, in particular, securities, insurance, and merchant banking activities.

Dodd-Frank Wall Street Reform and Consumer Protection Act On July 21, 2010, the President of the United States signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act addresses risks to the economy and the payment system, especially those posed by large, systemically important financial firms. The regulations, when implemented will have material implications for Ally and the entire financial services industry. Among other things, it will or potentially could:

- result in Ally being subject to enhanced oversight and scrutiny as a result of being a bank holding company with $50 billion or more in consolidated assets;
- result in the appointment of the FDIC as receiver of Ally in an orderly liquidation proceeding, if the Secretary of the Treasury, upon recommendation of at least two-thirds of the members of the FRB and two-thirds of the members of the board of directors of the FDIC and in consultation with the President of the United States, finds Ally to be in default or danger of default;
- increase the levels of capital and liquidity with which Ally must operate and affect how it plans capital and liquidity levels;
- subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees paid by Ally Bank to the FDIC;
- impact Ally s ability to invest in certain types of entities or engage in certain activities;
- impact a number of Ally s business and risk management strategies;
- restrict the revenue that Ally generates from certain businesses; and
- subject Ally to a new Consumer Financial Protection Bureau (CFPB), which has very broad rule-making and enforcement authorities.

Many provisions of the Dodd-Frank Act will only become effective at a later date or after a rulemaking process is completed. The orderly liquidation authority became effective in July 2010, with implementing regulations adopted thereafter in stages, with some rulemakings still to come. If Ally were subject to the orderly liquidation authority, the FDIC would be appointed as receiver, giving the FDIC the ability to wind-up Ally, including the ability to assign assets and liabilities without the need for creditor consent or prior court review and the ability of the FDIC to differentiate and determine priority among creditors.

In December 2011, the FRB proposed rules to implement some provisions of the systemic risk regime. If adopted as proposed, among other provisions, the rules would require Ally to maintain a sufficient quantity of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures; limit Ally s aggregate exposure to any unaffiliated counterparty to

25% of Ally s capital and surplus; and potentially subject Ally to an early remediation regime that could limit the ability of Ally to pay dividends or expand its business if the FRB identified Ally as suffering from financial or management weaknesses.

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In January 2012, President Obama appointed Richard Cordray as director of the CFPB. Since then, the CFPB has proposed various rules to implement consumer financial protection provisions of the Dodd-Frank Act and related requirements. Many of these proposed rules, when finalized, will impose new requirements on Ally and its business operations. In addition, as an insured depository institution with total assets of more than $10 billion, Ally Bank may be required in the future to submit periodic reports to the CFPB, and will become subject to examination by the CFPB.

Capital Adequacy Requirements Ally and Ally Bank are subject to various guidelines as established under FRB and FDIC regulations. Refer to Note 23 to the Consolidated Financial Statements for additional information. See also Basel Capital Accord below.

Capital Planning and Stress Tests As a bank holding company with $50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally s consolidated capital. The proposed capital action 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 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally s proposed capital action plan before Ally may take any proposed capital action covered by the new regime. Ally submitted its capital plan in January 2012, and on March 13, 2012, the FRB released its Comprehensive Capital Analysis and Review. The FRB objected to Ally s capital plan; however, the FRB did provide notice of non-objection to Ally s planned preferred dividends and interest on the trust preferred securities and subordinated debt. Ally submitted a revised capital plan on June 11, 2012, as required. It is unknown whether the FRB will accept Ally s revised plan as submitted or require further revisions.

Limitations on Bank Holding Company Dividends and Capital Distributions Utah law (and, in certain instances, federal law) places restrictions and limitations on dividends or other distributions payable by our banking subsidiary, Ally Bank, to Ally. With respect to dividends payable by Ally to its shareholders, in December 2011, the FRB adopted a regulation that requires bank holding companies with $50 billion or more in total consolidated assets, such as Ally, to submit annual capital plans for FRB non-objection. In the absence of a non-objection regarding the capital plan, the new regulation prohibits bank holding companies from paying dividends or making certain other capital distributions without specific FRB non-objection for such action. Even if a bank holding company receives a non-objection to its capital plan, it may not pay a dividend or make certain other capital distributions without FRB approval under certain circumstances (e.g., after giving effect to the dividend or distribution, the bank holding company would not meet a minimum regulatory capital ratio or a Tier 1 common ratio of at least 5%) and subject to certain exceptions. The FRB has previously issued supervisory guidance requiring bank holding companies such as Ally to consult with the FRB prior to increasing dividends, implementing common stock repurchase programs or redeeming or repurchasing capital instruments. Such guidance provides for a supervisory capital assessment program that outlines FRB expectations concerning the processes that bank holding companies have in place to ensure they hold adequate capital under adverse conditions to maintain ready access to funding. The federal bank regulatory agencies are also authorized to prohibit a banking subsidiary or bank holding company from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or making a capital distribution would constitute an unsafe or unsound banking practice.

Transactions with Affiliates Certain transactions between Ally Bank and any of its nonbank affiliates, are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, covered transactions including Ally Bank s extensions of credit to and

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asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Ally Bank s capital stock and surplus with respect to transactions with any individual affiliate, with an aggregate limit of 20% of Ally Bank s capital stock and surplus for all affiliates and all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions). Also, transactions between Ally Bank and a nonbank affiliate generally must be on market terms and conditions. Under the Dodd-Frank Act, among other changes to the Affiliate Transaction Restrictions, credit exposures resulting from derivatives transactions and securities lending and borrowing transactions are now treated as covered transactions. Furthermore, there is an attribution rule under the Affiliate Transaction Restrictions that provides that a transaction between Ally Bank and a third party must be treated as a transaction between Ally Bank and a nonbank affiliate to the extent that the proceeds of the transaction are used for the benefit of or transferred to a nonbank affiliate of Ally Bank.

Because Ally controls Ally Bank, Ally is an affiliate of Ally Bank for purposes of the Affiliate Transaction Restrictions. Thus, retail financing transactions by Ally Bank involving vehicles for which Ally provided floorplan financing are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Ally Financial.

Historically, the FRB was authorized to exempt, in its discretion, transactions or relationships from the requirements of these rules if it found such exemptions to be in the public interest and consistent with the purposes of the rules. As a result of the Dodd-Frank Act, exemptions now may be granted by the FDIC if the FDIC and FRB jointly find that the exemption is in the public interest and consistent with the purposes of the rules, and the FDIC finds that the exemption does not present an unacceptable risk to the Deposit Insurance Fund. The FRB granted several such exemptions to Ally Bank in the past. However, the existing exemptions are subject to various conditions and, particularly in light of the statutory changes made by the Dodd-Frank Act, any requests for future exemptions may not be granted. Moreover, these limited exemptions generally do not encompass consumer leasing or used vehicle financing. Since there is no assurance that Ally Bank will be able to obtain future exemptions or waivers with respect to these restrictions, the ability to grow Ally Bank s business will be affected by the Affiliate Transaction Restrictions and the conditions set forth in the existing exemption letters.

Source of Strength Pursuant to the Federal Deposit Insurance Act, FRB policy and regulations, and under the Parent Company Agreement and the Capital and Liquidity Maintenance Agreement as described in Note 23 to the Consolidated Financial Statements, Ally is expected to act as a source of strength to Ally Bank and is required to commit necessary capital and liquidity to support Ally Bank. This support may be required at inopportune times for Ally.

Enforcement Authority The FDIC and FRB have broad authority to issue orders to banks and bank holding companies to cease and desist from unsafe or unsound banking practices and from violations of laws, rules, regulations, or conditions imposed in writing by the banking agencies. The FDIC and FRB also are empowered to require affirmative actions to correct any violation or practice; issue administrative orders that can be judicially enforced; direct increases in capital; limit dividends and distributions; restrict growth; assess civil money penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the banking agencies; order termination of certain activities of bank holding companies or their subsidiaries; remove officers and directors; order divestiture of ownership or control of a nonbanking subsidiary by a bank holding company (in the case of the FRB); terminate deposit insurance; and/or place a bank into receivership (in the case of the FDIC).

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Basel Capital Accord

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord (Capital Accord or Basel I) of the Bank for International Settlements Basel Committee on Banking Supervision (Basel Committee). The Capital Accord was published in 1988 and generally applies to depository institutions and their holding companies in the United States. In 2004, the Basel Committee published a revision to the Capital Accord (Basel II). The goal of the Basel II capital rules is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published final Basel II rules in December 2007. Ally is required to comply with the Basel II rules as implemented by the U.S. banking regulators. Prior to full implementation of the Basel II rules, Ally is required to complete a qualification period of four consecutive quarters during which it needs to demonstrate that it meets the requirements of the rules to the satisfaction of its primary U.S. banking regulator. Pursuant to an extension that was granted to Ally, this qualification period, or parallel run, is required to begin no later than October 1, 2013. During this period, capital is calculated using both Basel I and Basel II methodologies. Upon completion of this parallel run and with the approval of the primary U.S. banking regulator, Ally will begin to use Basel II to calculate regulatory capital. Basel II contemplated a three-year transition period during which a bank holding company or bank could gradually lower its capital level below the levels required by Basel I. However, under a final capital rule that implements a provision of the Dodd-Frank Act, Ally and Ally Bank must continue to calculate their risk-based capital requirements under Basel I, and the capital requirements that each computes under Basel I will serve as a floor for its risk-based capital requirement computed under Basel II.

In addition to Basel II, the Basel Committee recently adopted new capital, leverage, and liquidity guidelines under the Capital Accord (Basel III) that when implemented in the United States may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III will increase the minimum Tier 1 common equity ratio to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets raising the target minimum common equity ratio to 7.0%. Basel III increases the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a nonrisk adjusted Tier 1 leverage ratio of 3%, based on a measure of the total exposure rather than total assets, and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules, when implemented, will also impose a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, MSRs, and deferred tax assets through timing differences. In addition, under Basel III rules, after a ten-year phase-out period beginning in January 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions (e.g., for debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other hybrid securities are phased out from Tier 1 capital over a three-year period starting January 2013. We continue to monitor developments with respect to Basel III and, pending the adoption of final capital rules and subsequent regulatory interpretation by the U.S. regulators, there remains a degree of uncertainty on the full impact of Basel III.

It is also anticipated that during 2012 the U.S. banking agencies will issue final rules based on the 2010 Notice of Proposed Rulemaking on the Risk-Based Capital Guidelines for Market Risk, as amended in December 2011 (Market Risk rules). We continue to monitor developments with respect to the Market Risk rules.

Troubled Asset Relief Program

As part of the Automotive Industry Financing Program created under the Troubled Asset Relief Program (TARP) established by the U.S. Department of the Treasury (Treasury) under the Emergency Economic Stabilization Act of 2008 (the EESA), Ally has entered into agreements pursuant to which Treasury has

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purchased preferred stock and trust preferred securities of Ally. As a result of these investments, subject to certain exceptions, Ally and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing, or acquiring any common stock without consent of Treasury. Ally has further agreed that until Treasury ceases to hold Ally preferred stock, Ally will comply with certain restrictions on executive privileges and compensation. Ally must also take all necessary action to ensure that its corporate governance and benefit plans with respect to its senior executive officers comply with Section 111(b) of the EESA as implemented by any guidance or regulation under the EESA, as amended by the American Recovery and Reinvestment Act of 2009, which was signed into law on February 17, 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009. For further details regarding these restrictions on compensation as a result of TARP investments, refer to the section of this prospectus entitled Executive Compensation.

Depository Institutions

On December 24, 2008, Ally Bank received approval from the UDFI to convert from an industrial bank to a commercial nonmember state-chartered bank. Ally Bank s deposits are insured by the FDIC, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were $85.3 billion and $70.3 billion at December 31, 2011 and 2010, respectively.

As a commercial nonmember bank chartered by the State of Utah, Ally Bank is subject to various regulatory capital adequacy requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on Ally Bank s results of operations and financial condition. At December 31, 2011, we were in compliance with our regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 23 to the Consolidated Financial Statements.

International Banks, Finance Companies, and Other Non-U.S. Operations

Certain of our foreign subsidiaries operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets of our regulated international banks and finance companies were approximately $13.6 billion and $14.5 billion at December 31, 2011 and 2010, respectively. In addition, the BHC Act imposes restrictions on Ally s ability to invest equity abroad without FRB approval. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration-approved lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. The U.S. mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts. In addition, proposals have been enacted in the U.S. Congress and are under consideration by various regulatory authorities that would affect the manner in which the GSEs conduct their business and there is some possibility that Fannie Mae and Freddie Mac will be subject to winding down.

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Insurance Companies

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. In addition, the BHC Act imposes restrictions on our ability to invest equity abroad without FRB approval.

Investments in Ally

Because Ally Bank is an FDIC-insured bank and Ally and IB Finance are bank holding companies, acquisitions of our voting stock above certain thresholds may be subject to regulatory approval or notice under federal or state law. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that may be acquired without regulatory approval under the Change in Bank Control Act, the BHC Act, and Utah state law.

Other Regulations

Some of the other more significant regulations that we are subject to include:

Privacy The GLB Act imposes additional obligations on us to safeguard the information we maintain on our customers, requires us to provide notice of our privacy practices, and permits customers to opt-out of information sharing with third parties. Regulations have been issued by several agencies that establish obligations to safeguard information. In addition, several states have enacted even more stringent privacy and safeguarding legislation. If a variety of inconsistent state privacy rules or requirements are enacted, our compliance costs could increase substantially.

Fair Credit Reporting Act The Fair Credit Reporting Act regulates the use of credit reports and the reporting of information to credit reporting agencies, and also provides a national legal standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. In late 2003, the Fair and Accurate Credit Transactions Act was enacted, making this preemption of conflicting state and local law permanent. The Fair Credit Reporting Act was also amended to place further restrictions on the use of information shared between affiliates, to provide new disclosures to consumers when risk-based pricing is used in the credit decision, and to help protect consumers from identity theft. All of these provisions impose additional regulatory and compliance costs on us and reduce the effectiveness of our marketing programs.

Truth in Lending Act The Truth in Lending Act (TILA), as amended, and Regulation Z, which implements TILA, requires lenders to provide borrowers with uniform, understandable information concerning terms and conditions in certain credit transactions. These rules apply to Ally and its subsidiaries in transactions in which they extend credit to consumers and require, in the case of certain mortgage and automotive financing transactions, conspicuous disclosure of the finance charge and annual percentage rate, if any. In addition, if an advertisement for credit states specific credit terms, Regulation Z requires that such advertisement state only those terms that actually are or will be arranged or offered by the creditor. Failure to comply with TILA can result in liability for damages as well as criminal and civil penalties.

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

USA PATRIOT Act/Anti-Money-Laundering Requirements In 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) was signed into law. Title III of the USA PATRIOT Act amends the Bank Secrecy Act and contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the USA PATRIOT Act, requires bank holding companies, banks, and certain other financial companies to undertake activities including maintaining an anti-money-laundering program, verifying the identity of clients, monitoring for and reporting on suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. We have implemented internal practices, procedures, and controls designed to comply with these anti-money-laundering requirements.

Community Reinvestment Act Under the Community Reinvestment Act (CRA), a bank has a continuing and affirmative obligation, consistent with the safe-and-sound operation of the institution, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions. However, institutions are rated on their performance in meeting the needs of their communities.

Other Our U.S. mortgage business has subsidiaries that are required to maintain regulatory capital requirements under agreements with the GSEs and the Department of Housing and Urban Development.

Employees

We had approximately 14,800 employees worldwide at December 31, 2011.

Segment and Geographic Information

The results of operations for each of our reportable operating segments and the products and services offered are contained in the individual business operations sections of Management s Discussion and Analysis of Financial Condition and Results of Operations. Financial information related to reportable operating segments and geographic areas is provided in Note 23 to the Condensed Consolidated Financial Statements.

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Properties

Our principal corporate offices are located in Detroit, Michigan; New York, New York; and Charlotte, North Carolina. In Detroit, we lease approximately 247,000 square feet from GM pursuant to a lease agreement expiring in November 2016. In New York, we lease approximately 35,000 square feet of office space under a lease that expires in July 2015. In Charlotte, we lease approximately 133,000 square feet of office space under a lease expiring in December 2015.

The primary offices for our Global Automotive Services operations are located in Detroit, Michigan, and Southfield, Michigan. The primary office for our North American Automotive Finance operations is located in Detroit, Michigan, and is included in the totals referenced above. Our International Automotive Finance operations leased space in 22 countries totaling approximately 375,000 square feet. The largest location is in the United Kingdom with office space under lease of approximately 76,000 square feet. The primary office for our U.S. Insurance operations is located in Southfield, Michigan, where we lease approximately 71,000 square feet of office space under leases expiring in April 2016. Our Insurance operations also have significant leased offices in Mexico.

The primary offices for our Mortgage operations are located in Fort Washington, Pennsylvania. In Fort Washington, we lease approximately 450,000 square feet of office space pursuant to a lease that expires in November 2019.

In addition to the properties described above, we lease additional space throughout the United States and in other countries in which we have significant operations, including Canada, Germany, and Brazil. We believe our facilities are adequate for us to conduct our present business activities.

Legal Proceedings

Refer to Note 25 to the Condensed Consolidated Financial Statements for a discussion related to our legal proceedings.

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MANAGEMENT

The following table presents information regarding directors, executive officers, and other significant employees of Ally.

Name	Age	Position
Franklin W. Hobbs	64	Director (Chairman of the Board)
Robert T. Blakely	70	Director (Chairman of Audit Committee)
Mayree C. Clark	54	Director (Member of Audit Committee)
John D. Durrett	63	Director (Member of Audit Committee)
Stephen A. Feinberg	51	Director
Kim S. Fennebresque	61	Director
Marjorie Magner	62	Director (Member of Audit Committee)
John J. Stack	65	Director (Member of Audit Committee)
Michael A. Carpenter	64	Director and Chief Executive Officer
Jeffrey J. Brown	38	Senior Executive Vice President of Finance and Corporate Planning
James G. Mackey	44	Chief Financial Officer
Barbara Yastine	52	Chief Administrative Officer
William F. Muir	57	President
David J. DeBrunner	45	Vice President, Chief Accounting Officer, and Corporate Controller
Sanjay Gupta	43	Chief Marketing Officer
Thomas Marano	50	Chief Executive Officer, ResCap, and Chief Capital Markets Officer

Directors, Executive Officers, and Other Significant Employees

Franklin W. Hobbs Director of Ally since May 2009. He currently serves as Chairman of the board. Since 2004, he has been an advisor to One Equity Partners LLC, which manages investments and commitments for JPMorgan Chase & Co. in direct private equity transactions. He was previously the CEO of Houlihan Lokey Howard & Zukin. In that role, he oversaw all operations, which included advisory services for mid-market companies involved in mergers and acquisitions and corporate restructurings. He previously was Chairman of UBS AG s Warburg Dillon, Read & Co. Inc. unit. Prior to that, he was President and CEO of Dillon, Read & Co. Inc. Hobbs earned his bachelor s degree from Harvard College and master s degree in business administration from Harvard Business School. He serves as a director on the Boards of the Lord Abbett & Company and Molson Coors Brewing Company.

Robert T. Blakely Director of Ally since May 2009. He currently serves as Chairman of the Audit Committee. He is a trustee of the Financial Accounting Foundation, the oversight board for the Financial Accounting Standards Board. Blakely is the former executive vice president and chief financial officer of Fannie Mae. In this role, he led the financial restatement and implementation of SOX controls. He was previously the chief financial officer of WorldCom/MCI, Lyondell Chemical, Tenneco, and US Synthetic Fuels Corporation where he gained valuable experience dealing with accounting principles and financial reporting rules and regulations, evaluating financial results, and generally overseeing the financial reporting processes of large corporations. Blakely received his PhD from Massachusetts Institute of Technology and his master s and bachelor s degrees from Cornell University.

Mayree C. Clark Director of Ally since May 2009. She currently serves as Chairman and member of the Ally Risk Management and Compliance Committee and the Audit Committee. Clark also serves as a member of the investment committee for Aetos Capital Asia, which manages the firm s investments in Japanese and Chinese real estate, and is a director of the Stanford Management Company, which manages the University s endowment. Clark is a former partner and member of the executive committee at AEA Holdings. Clark held a variety of executive positions at Morgan Stanley over a span of nearly 25 years, serving as Global Research Director, Director of Global Private Wealth Management. Clark began her career as an economic associate in antitrust litigation at National Economic Research Associates, Inc. Clark earned a bachelor s degree from the University of Southern California and a master s degree in business administration from Stanford University Graduate School of Business.

John D. Durrett Director of Ally since February 2011. He currently serves as a member of the Audit Committee and Compliance Committee. He currently serves as a strategic adviser to Serent Capital, a San Francisco-based private equity firm, and sits on the boards of two of Serent s portfolio companies. Durrett is a director emeritus of McKinsey & Co., Inc., and completed his 27-year career with the firm in 2007. He served in numerous senior leadership positions during his tenure at McKinsey and also served as a member of the firm s Shareholder s Council and chaired its Finance and Infrastructure Committee. Durrett was also a long-time member of McKinsey s Compensation Committee and the Director s and Principal s Review Committees. Durrett received a bachelor s degree from Millsaps College, a juris doctorate from Emory University and a master s degree in business administration from the Wharton School of the University of Pennsylvania.

Stephen A. Feinberg Director of Ally since March 2009. He founded Cerberus Capital Management in November 1992. He also founded or cofounded the other Cerberus general partners/management companies and investment funds and is the Chief Executive Officer of an affiliated loan origination company. Feinberg began his career at Drexel Burnham Lambert where he was actively involved in trading large pools of firm capital. From 1985 to 1992, after leaving Drexel Burnham Lambert, he managed money in separate accounts, most of which was firm capital of Gruntal & Co., Inc. Feinberg has over 25 years of experience in distressed investing, including investments in the financial services industry, and he has served as a control party in connection with investments in numerous financial institutions, including various lending institutions. Feinberg is a 1982 graduate of Princeton University.

Kim S. Fennebresque Director of Ally since May 2009. Fennebresque is chairman and chief executive officer of Dahlman Rose & Co. and is a senior advisor at Cowen Group, Inc. He previously served as its chairman, president, and chief executive officer where he oversaw all aspects of the management and operations of the company. Fennebresque has extensive business experience and has served as an investment banker for over three decades. He has demonstrated leadership capability and has extensive knowledge of the management of a publicly traded company. The depth and breadth of his exposure to areas of compensation, legal, accounting, and regulatory issues make him a skilled advisor. Prior to joining Cowen Group, Fennebresque served as head of the Corporate Finance and Mergers & Acquisitions departments at UBS. He also was a general partner and co-head of Investment Banking at Lazard Frères & Co. and held various positions at The First Boston Corporation. Fennebresque is a graduate of Trinity College and Vanderbilt Law School. He is currently on the boards of TEAK Fellowship, and Fountain House.

Marjorie Magner Appointed to the Ally board of directors in May 2010. She also serves on the Audit Committee and Risk and Compliance Committee. Magner is a founding member and partner of Brysam Global Partners. Previously, she served as chairman and chief executive officer of the Global Consumer Group at Citigroup. In this position, she was responsible for the company s operations serving consumers through retail banking, credit cards, and consumer finance. She earned a bachelor s degree in psychology from Brooklyn College and a master s degree from Krannert School of Management, Purdue University. Magner also serves on the boards of Accenture Ltd., Gannett Company, Inc., and the Brooklyn College Foundation. She is a member of the dean s advisory council for the Krannert School of Management.

John J. Stack Appointed to the Ally board of directors in April 2010. He also serves on the Audit Committee and Risk and Compliance Committee. Stack served as chairman and chief executive officer of Ceska Sporitelna, a.s., the largest bank in the Czech Republic, from 2000 to 2007. Prior to that, he spent 22 years in retail banking in various roles at Chemical Bank and then later at Chase Bank. Stack began his career in government working in staff roles in the New York City Mayor s Office and then the New York City Courts System. He earned a bachelor s degree from Iona College and a master s degree from Harvard Graduate School of Business Administration. He also serves on the boards of Erste Bank Group and Mutual of America.

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Michael A. Carpenter Chief Executive Officer of Ally since November 2009 and a member of the Ally Board of Directors since May 2009. He oversees all Ally strategy and operations to focus on strengthening the core businesses, while positioning the company for long-term growth. Carpenter has broad and deep experience in banking, capital markets, turnarounds, and corporate strategy. Most recently, he founded Southgate Alternative Investments in 2007. From 2002 to 2006, he was chairman and chief executive officer of Citigroup Alternative Investments overseeing $60 billion of proprietary capital and customer funds globally in various alternative investment vehicles. From 1998 to 2002, Carpenter was chairman and chief executive officer of Citigroup s Global Corporate & Investment Bank with responsibility for Salomon Smith Barney Inc. and Citibank s corporate banking activities globally. Carpenter was named chairman and CEO of Salomon Smith Barney in 1998, shortly after the merger that created Citigroup, and led the first ever successful integration of a commercial and investment bank. Prior to Citigroup, he was chairman and CEO of Travelers Life & Annuity and vice chairman of Travelers Group Inc. responsible for strategy and business development. From 1989 to 1994, he was chairman of the board, president, and CEO of Kidder Peabody Group Inc., a wholly owned subsidiary of General Electric Company. From 1986 to 1989, Carpenter was executive vice president of GE Capital Corporation. He first joined GE in 1983 as vice president of Corporate Business Development and Planning and was responsible for strategic planning and development as well as mergers and acquisitions. Earlier in his career, Carpenter spent nine years as vice president and director of the Boston Consulting Group consulting to major companies on corporate strategy and three years with Imperial Chemical Industries of the United Kingdom. Carpenter received a bachelor of science degree from the University of Nottingham, England, and an MBA from the Harvard Business School where he was a Baker Scholar. He also holds an honorary degree of Doctor of Laws from the University of Nottingham. He serves on the boards of US Retirement Partners and the New York City Investment Fund and has been a board member of the New York Stock Exchange, General Signal, Loews Cineplex, and various other private and public companies.

Jeffrey J. Brown Appointed Senior Executive Vice President of Finance and Corporate Planning in June 2011. In this role, Brown oversees the finance, treasury and corporate strategy activities of the company. Brown joined Ally in March 2009 as corporate treasurer with responsibility for global treasury activities, including funding and balance sheet management. Prior to joining Ally, Brown was the corporate treasurer for Bank of America where he had responsibility for the core treasury functions including funding and managing interest rate risk. Brown was at Bank of America for 10 years, beginning his career in finance and later joining the balance sheet management division. Brown previously served as the bank s deputy treasurer and oversaw balance sheet management and the company s corporate funding division. He was also a member of the company s Asset/Liability Management Committee. He received a bachelor s degree in economics from Clemson University and an executive master s degree in business from Queens University in Charlotte. He serves on the Trevillian Cabinet of the College of Business and Behavioral Sciences at Clemson University and on the advisory board of McColl School of Business at Queen s University in Charlotte.

James G. Mackey Chief Financial Officer of Ally since June 2011, after serving as interim Chief Financial Officer since April 2010. In this role, he is responsible for the oversight of the company s financial analysis, controls and reporting, accounting, business planning, and investor relations. Mackey joined the company in 2009 as group vice president and senior finance executive responsible for financial planning and analysis, investor relations, corporate treasury finance, and banking subsidiary financial departments. Previously, Mackey served as chief financial officer for the corporate investments, corporate treasury, and private equity divisions at Bank of America. Earlier in his tenure at Bank of America, he served as managing director within the global structured products group. Prior to Bank of America, Mackey served in the financial institutions practice group at PricewaterhouseCoopers LLP, specializing in capital markets accounting and consulting. He holds a bachelor s degree in business administration and a master s degree in accounting from the University of North Carolina at Chapel Hill. He is also a registered certified public accountant in North Carolina.

Barbara A. Yastine Chief Administrative Officer of Ally since May 2010. In this role, she has oversight for the risk, compliance, legal and technology functions and also serves as Chair of Ally Bank. Yastine is a seasoned executive with diverse experience at financial services companies. Prior to joining Ally, she served as a

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principal of Southgate Investment Partners, LLC. Before that, she was chief financial officer for Credit Suisse First Boston from 2002 to 2004 and had responsibility for controllership, treasury, risk management, strategy, mergers and acquisitions, and tax. She was with Citigroup and its predecessors for 15 years with her last position being as chief financial officer of Citigroup s global corporate and investment bank. During her time at Citigroup, she also served as chief auditor, chief administrative officer of the global consumer group, and as executive vice president of what is now CitiFinancial. Yastine began her career at Citigroup predecessor Primerica as the head of investor relations. Yastine chairs the Audit Committee of the board of directors of Symphony Services, a portfolio company of private equity firm Symphony Technology Group. She is also a member of the board of trustees of Phoenix House where she chairs the Finance and Audit Committee and serves on the Compensation and Succession Planning Committees. She also serves on the board of Primerica Inc. Yastine is a former trustee of the Financial Accounting Foundation. She holds a bachelor s of arts degree in journalism and a master s degree in finance, both from New York University.

William F. Muir President of Ally since 2004, Chairman of Ally Insurance Group since June 1999, and a Member of the Ally Commercial Finance and Ally Bank Boards of Directors since February 2002 and March 2004, respectively. Prior to that time, Muir served as executive vice president and chief financial officer from February 1998 to 2004. From 1996 to 1998, Muir served as executive-in-charge of operations and then executive director of planning at Delphi Automotive Systems, a former subsidiary of GM. Prior to serving at Delphi Automotive Systems, Muir served in various executive capacities with Ally since first joining Ally in 1992. He also served in a number of capacities with GM since joining the company in 1983.

David J. DeBrunner Vice President, Chief Accounting Officer, and Controller of Ally since September 2007. DeBrunner joined Ally from Fifth Third Bancorp (Fifth Third) where he was senior vice president, corporate controller, and chief accounting officer from January 2002 to August 2007. Prior to that position, he served as the chief financial officer for the commercial division of Fifth Third beginning in December 1999. DeBrunner joined Fifth Third in 1992 and held various financial leadership positions throughout the company. Prior to his time at Fifth Third, he held positions at Deloitte and Touche LLP in the Chicago and Cincinnati offices. DeBrunner holds a bachelor s of science in accounting from Indiana University and is a member of the American Institute of Certified Public Accountants.

Sanjay Gupta Chief Marketing Officer of Ally Financial Inc. since March 2008. Gupta has responsibility for all marketing, e-commerce, and product innovation at Ally. Before joining Ally, Gupta held the position of global consumer & small business marketing executive at Bank of America. Prior to joining Bank of America in 2001, Gupta served as chief marketing officer of SciQuest.com and before that assignment as managing director of interactive marketing and e-commerce at Federal Express. Gupta has a bachelor s degree in electronics engineering from the University of Bombay and a master s degree in business administration from the University of Texas at Austin with a concentration in finance and management information systems.

Thomas Marano Chairman and Chief Executive Officer of Ally s Mortgage operations and, as of May 1, 2009, Ally s Chief Capital Markets Executive. As CEO of Mortgage operations, Marano oversees mortgage lending and servicing at Residential Capital, LLC (ResCap) and ResMor Trust (the Canadian depository) and the correspondent and warehouse lending at Ally Bank. Marano has served as Chairman and Chief Executive Officer of ResCap since July 2008 and is a chairman on its board of directors and member of its executive committee. In the role of Chief Capital Markets Executive, Marano oversees the coordination of Ally s capital commitments across the firm s bank, broker-dealer, mortgage, automotive, and proprietary trading divisions. Before joining ResCap, Marano was managing director for Cerberus Capital Management, L.P., responsible for residential and commercial capital markets. Marano spent more than 25 years at Bear Stearns & Co. Inc., most recently as senior managing director and global head of mortgage and asset-backed securities responsible for mortgage sales, trading, and origination. Marano earned a bachelor s degree from Columbia College in New York City. He serves on the board of the Intrepid Fallen Heroes Fund and is on Columbia University s Board of Visitors and a Trustee of the Samuel Waxman Cancer Research Foundation.

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Ally Code of Ethics

Ally has published on its website the Ally Code of Conduct and Ethics (the Code) that is applicable to all employees. The Code further includes certain provisions that apply specifically to Ally financial professionals (as that term is defined in the Code). The Code has been posted on Ally s internet website at www.ally.com, under About Ally, and Policies & Charters. Any amendment to, or waiver from, a provision of the Code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions will be posted at this same internet website location as required by applicable law.

Board and Committee Composition

Our current directors were elected pursuant to the terms of the Amended and Restated Governance Agreement dated May 21, 2009 (the Governance Agreement), which we previously entered into with our shareholders. Based on the current ownership of our common stock, the Governance Agreement provides that the Board is to be comprised of the following: (1) one director designated by affiliates of Cerberus Capital Management, L.P., (2) six directors designated by Treasury, (3) the chief executive officer of Ally and (4) three independent directors chosen by the members described in (1) through (3) above. Currently, the Board consists of the Cerberus appointed director, the chief executive officer of Ally, four directors designated by Treasury, and three independent directors. As of December 31, 2011, there were two open director seats to be appointed by Treasury. See Certain Stockholder Agreements.

The Board has independently and affirmatively determined that all Board members, except for Mr. Carpenter, meet all the requirements for independence under the rules and regulations promulgated by the NYSE.

We have established a separately designated standing Audit Committee. Members currently include Chairman Robert T. Blakely, Mayree C. Clark, Marjorie Magner, John D. Durrett Jr. and John J. Stack. Each member is independent as required by Rule 10A-3 of the Exchange Act and under rules of the NYSE, and the Board has determined that all members are also qualified as audit committee financial experts, as defined by the SEC. The Audit Committee operates pursuant to a charter approved by the Board of Directors. The Audit Committee reviews and, as it deems appropriate, recommends to our Board of Directors our internal accounting and financial controls and the accounting principles and auditing practices and procedures to be employed in preparation and review of our financial statements. The Audit Committee also makes recommendations to the Board concerning the engagement of independent public auditors and the scope of the audit to be undertaken by such auditors.

We have also established a Compensation, Nominating, and Governance Committee (the CNG Committee). Members of the CNG Committee currently include Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, and Franklin W. Hobbs. The Board has independently and affirmatively determined that all CNG Committee members meet all the requirements for independence under the rules and regulations promulgated by the NYSE. The CNG Committee operates pursuant to a charter approved by the Board of Directors. For a description of CNG s responsibilities, see Executive Compensation.

We have also established a Risk and Compliance Committee (the Risk Committee). Members of the Risk Committee currently include Mayree C. Clark (Committee Chairwoman), Stephen A. Feinberg, Franklin W. Hobbs, Marjorie Magner and John J. Stack. The Risk Committee operates pursuant to a charter approved by the Board of Directors. The Risk Committee assists the B