AGILENT TECHNOLOGIES INC
Form 8-K
February 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 12, 2010**

AGILENT TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-15405**	**77-0518772**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5301 Stevens Creek Boulevard, Santa Clara, CA	**95051**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code **(408) 553-2424**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

The information in this Item 2.02 of Form 8-K and Exhibit 99.1 attached hereto is furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended.

On February 12, 2010, Agilent Technologies, Inc. (the Company) issued its press release announcing financial results for the first fiscal quarter ended January 31, 2010. A copy of this press release is attached as Exhibit 99.1.

We provide non-GAAP financial information in order to provide meaningful supplemental information regarding our operational performance and to enhance our investors overall understanding of our core current financial performance and our prospects for the future. We believe that our investors benefit from seeing our results through the eyes of management in addition to the GAAP presentation. Management measures segment and enterprise performance using measures such as those that are disclosed in this release. This information facilitates management s internal comparisons to the Company s historical operating results and comparisons to competitors operating results. Non-GAAP information allows for greater transparency to supplemental information used by management in its financial and operations decision making. Historically, we have reported similar non-GAAP information to our investors and believe that the inclusion of comparative numbers provides consistency in our financial reporting.

This information is not in accordance with, or an alternative for, generally accepted accounting principles in the United States. It excludes items, such as restructuring and amortization, that may have a material effect on the Company s expenses and earnings per share calculated in accordance with GAAP. Management monitors these items to ensure that expenses are in line with expectations and that our GAAP results are correctly stated but does not use them to measure the ongoing operating performance of the Company. The non-GAAP information we provide may be different from the non-GAAP information provided by other companies.

Additional explanation of non-GAAP information is provided in Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following is furnished as an exhibit to this report and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended:

Exhibit No.	**Description**
99.1	Press release announcing financial results for the first fiscal quarter ended January 31, 2010.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AGILENT TECHNOLOGIES, INC.

By:	/s/ Stephen D. Williams
Name:	Stephen D. Williams
Title:	Vice President, Assistant General Counsel and Assistant Secretary

Date: February 12, 2010

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release announcing financial results for the first fiscal quarter ended January 31, 2010.

">$
9,843

$
7,735

$
18,044

$
14,256

Total consumer loan originations

$
9,843

$
7,735

$
18,044

$
14,256

(a) Includes $1.2 billion of loans originated as held-for-sale during the first quarter of 2015.
Total automotive-originated loans increased $2.1 billion and $3.8 billion for the three months and six months ended June 30, 2015, compared to the same periods in 2014. The increase during the three months and six months ended June 30, 2015, was distributed across the consumer automotive portfolio with primarily strong growth in Non-GM/Chrysler new and used originations.

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The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state concentration. Total automotive loans were $60.8 billion and $56.6 billion at June 30, 2015, and December 31, 2014, respectively. Total mortgage and home equity loans were $9.2 billion and $7.5 billion at June 30, 2015 and December 31, 2014, respectively.

	June 30, 2015 (a)		December 31, 2014	
	Automotive	Mortgage	Automotive	Mortgage
Texas	13.7 %	5.9 %	13.6 %	6.0 %
California	6.8	33.0	6.2	30.8
Florida	7.5	3.9	7.3	3.7
Pennsylvania	5.1	1.5	5.3	1.6
Illinois	4.4	4.6	4.4	4.2
Georgia	4.3	2.1	4.2	2.1
New York	3.7	2.0	4.0	1.9
Ohio	3.8	0.6	3.9	0.6
North Carolina	3.6	1.8	3.5	1.9
Michigan	3.4	2.6	3.8	3.1
Other United States	43.7	42.0	43.8	44.1
Total consumer loans	100.0 %	100.0 %	100.0 %	100.0 %

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at June 30, 2015.

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 22.9% and 21.8% of our total outstanding consumer finance receivables and loans at June 30, 2015, and December 31, 2014, respectively.

Concentrations in our mortgage portfolio are closely monitored given the volatility of the housing market, with special attention given to states with greater declines in real estate values.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in other assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements included in our 2014 Annual Report on Form 10-K.

Repossessed assets in our Automotive Finance operations at June 30, 2015 decreased $7 million to $83 million from December 31, 2014. Foreclosed mortgage assets at June 30, 2015, increased $1 million to $11 million from December 31, 2014.

Commercial Credit Portfolio

During the three months and six months ended June 30, 2015, the credit performance of the commercial portfolio remained strong, as nonperforming finance receivables and loans remained low and no net charge-offs were realized. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2014 Annual Report on Form 10-K.

The following table includes total 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, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014

Commercial and industrial						
Automotive	$29,732	$30,871	$46	$32	$—	$—
Other (c)	2,149	1,882	46	46	—	—
Commercial real estate — Automotive	3,294	3,151	7	4	—	—
Total commercial finance receivables and loans	$35,175	$35,904	$99	$82	$—	$—

(a) Includes nonaccrual TDR loans of $25 million and $59 million at June 30, 2015, and December 31, 2014, respectively.

(b) There were no TDR loans classified as 90 days past due and still accruing at June 30, 2015 and December 31, 2014.

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

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Total commercial finance receivables and loans outstanding decreased $729 million from December 31, 2014, to $35.2 billion at June 30, 2015. The commercial and industrial finance receivables and loans outstanding decreased $872 million primarily due to seasonality of dealer inventories. This decrease was partially offset by the increase within Other, representing the Corporate Finance portfolio, as the growth in this portfolio continues in line with our business strategy.

Total commercial nonperforming finance receivables and loans were $99 million at June 30, 2015, reflecting an increase of $17 million when compared to December 31, 2014. However, nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans remained relatively stable at 0.3% at June 30, 2015 compared to 0.2% at December 31, 2014.

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.

	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	2015	2014	2015	2014	2015	2014	2015	2014
Commercial and industrial								
Automotive	$1	$1	— %	— %	$—	$1	— %	— %
Other	(1)	(7)	(0.1)	(1.5)	(1)	(7)	(0.1)	(0.8)
Total commercial finance receivables and loans	$—	$(6)	— %	(0.1)%	$(1)	$(6)	— %	— %

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

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 $3.3 billion and $3.2 billion at June 30, 2015, and December 31, 2014, respectively.

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

	June 30, 2015	December 31, 2014
Texas	14.9 %	13.8 %
Florida	11.4	12.3
Michigan	10.0	9.9
California	8.4	9.0
North Carolina	3.9	3.9
Virginia	3.9	4.1
Georgia	3.8	3.7
New York	3.7	3.9
Pennsylvania	3.6	3.8
Illinois	2.7	2.7
Other United States	33.7	32.9
Total commercial real estate finance receivables and loans	100.0 %	100.0 %

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are 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 loss.

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The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans within our Automotive and Corporate Finance portfolios are reported at carrying value before allowance for loan losses.

	June 30, 2015	December 31, 2014
Industry		
Automotive	81.8 %	87.3 %
Services	4.9	2.0
Health/Medical	3.3	3.5
Other	10.0	7.2
Total commercial criticized finance receivables and loans	100.0 %	100.0 %

Total criticized exposures increased $80 million from December 31, 2014 to $2.3 billion at June 30, 2015. The increase was primarily related to the overall growth of the Corporate Finance portfolio.

Allowance for Loan Losses

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

Three months ended June 30, 2015 ($ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at April 1, 2015	$711	$119	$830	$103	$933
Charge-offs	(166)	(9)	(175)	—	(175)
Recoveries	70	5	75	—	75
Net charge-offs	(96)	(4)	(100)	—	(100)
Provision for loan losses	152	3	155	(15)	140
Other	—	1	1	—	1
Allowance at June 30, 2015	$767	$119	$886	$88	$974
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2015 (a)	1.3 %	1.3 %	1.3 %	0.3 %	0.9 %
Net charge-offs to average finance receivables and loans outstanding at June 30, 2015 (a)	0.6 %	0.2 %	0.6 %	— %	0.4 %
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2015 (a)	198.5 %	75.8 %	163.1 %	89.0 %	151.6 %
Ratio of allowance for loan losses to annualized net charge-offs at June 30, 2015	2.0	7.5	2.2	—	2.4

(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.

Three months ended June 30, 2014 ($ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at April 1, 2014	$715	$333	$1,048	$144	$1,192
Charge-offs	(143)	(10)	(153)	(4)	(157)
Recoveries	60	2	62	10	72
Net charge-offs	(83)	(8)	(91)	6	(85)
Provision for loan losses	97	(25)	72	(9)	63
Other	—	2	2	(1)	1
Allowance at June 30, 2014	$729	$302	$1,031	$140	$1,171
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2014 (a)	1.3%	3.9%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2014 (a)	0.6%	0.4%	0.6%	(0.1)%	0.3%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2014 (a)	223.0%	162.7%	201.1%	142.9%	191.8%
Ratio of allowance for loan losses to annualized net charge-offs at June 30, 2014	2.2	9.6	2.8	(5.8)	3.4

(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, 2015 ($ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2015	$685	$152	$837	$140	$977
Charge-offs	(359)	(31)	(390)	—	(390)
Recoveries	131	8	139	1	140
Net charge-offs	(228)	(23)	(251)	1	(250)
Provision for loan losses	310	(2)	308	(52)	256
Other (a)	—	(8)	(8)	(1)	(9)
Allowance at June 30, 2015	$767	$119	$886	$88	$974
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2015 (b)	1.3%	1.3%	1.3%	0.3%	0.9%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2015 (b)	0.8%	0.6%	0.8%	—%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2015 (b)	198.5%	75.8%	163.1%	89.0%	151.6%
Ratio of allowance for loan losses to annualized net charge-offs at June 30, 2015	1.7	2.6	1.8	n/m	2.0

n/m = not meaningful

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

(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.

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Six months ended June 30, 2014 ($ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2014	$673	$389	$1,062	$146	$1,208
Charge-offs	(323)	(25)	(348)	(5)	(353)
Recoveries	119	5	124	11	135
Net charge-offs	(204)	(20)	(224)	6	(218)
Provision for loan losses	260	(48)	212	(12)	200
Other (a)	—	(19)	(19)	—	(19)
Allowance at June 30, 2014	$729	$302	$1,031	$140	$1,171
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2014 (b)	1.3%	3.9%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2014 (b)	0.7%	0.5%	0.7%	—%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2014 (b)	223.0%	162.7%	201.1%	142.9%	191.8%
Ratio of allowance for loan losses to annualized net charge-offs at June 30, 2014	1.8	7.6	2.3	(11.4)	2.7

(a) Primarily related to the transfer of finance receivables and loans from held-for-investment to held-for-sale.
(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 at June 30, 2015, declined $145 million compared to June 30, 2014. The decrease was primarily due to the transfer of consumer mortgage assets to held-for-sale as of the year ended December 31, 2014, combined with the continued runoff of higher risk mortgage assets within our Mortgage operations, offset by growth in the consumer automotive portfolio.

The allowance for commercial loan losses declined $52 million at June 30, 2015, compared to June 30, 2014, primarily due to continued strong performance in the portfolio.

Allowance for Loan Losses by Type

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

	2015			2014		
June 30, ($ in millions)	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Consumer automotive	$767	1.3%	78.7%	$729	1.3%	62.3%
Consumer mortgage	119	1.3	12.2	302	3.9	25.8
Total consumer loans	886	1.3	90.9	1,031	1.6	88.1
Commercial						
Commercial and industrial						
Automotive	26	0.1	2.7	62	0.2	5.3
Other	40	1.9	4.1	47	2.6	4.0
	22	0.7	2.3	31	1.0	2.6

Commercial real estate — Automotive										
Total commercial loans	88	0.3		9.1		140	0.4		11.9	
Total allowance for loan losses	$974	0.9	%	100.0	%	$1,171	1.2	%	100.0	%

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Provision for Loan Losses

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2015	2014	2015	2014
Consumer				
Consumer automotive	$152	$97	$310	$260
Consumer mortgage	3	(25)	(2)	(48)
Total consumer loans	155	72	308	212
Commercial				
Commercial and industrial				
Automotive	(18)	1	(40)	(3)
Other	5	(11)	(1)	(10)
Commercial real estate — Automotive	(2)	1	(11)	1
Total commercial loans	(15)	(9)	(52)	(12)
Total provision for loan losses	$140	$63	$256	$200

The provision for consumer loan losses increased $83 million and $96 million for the three months and six months ended June 30, 2015, compared to the same periods in 2014. The increase was primarily due to growth in the consumer automotive portfolio combined with lower reserve releases on mortgage assets.

The provision for commercial loan losses was a net credit of $15 million and $52 million for the three months and six months ended June 30, 2015, compared to a net credit of $9 million and $12 million for the same periods in 2014. This decrease was largely driven by a reduction in the loan loss reserve due to continued strong performance in the portfolio.

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. For information on our valuation of automotive lease residuals including periodic revisions through adjustments to depreciation expense based on current and forecasted market conditions, refer to Critical Accounting Estimates — Valuation of Automotive Lease Assets and Residuals within the MD&A included in our 2014 Annual Report on Form 10-K.

Lease Vehicle Terminations and Remarketing

The following table summarizes the volume of Ally lease terminations and average gain per vehicle in the United States over recent periods, as well as our methods of vehicle sales at lease termination, stated as a percentage of total lease vehicle disposals. The actual gain per vehicle on lease terminations varies based upon the type of vehicle.

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Off-lease vehicles terminated (in units)	64,123	85,143	129,183	146,144
Average gain per vehicle ($ per unit)	$1,686	$1,978	$1,374	$1,900
Method of vehicle sales				
Auction (internet and physical)	57%	61%	60%	60%
Sale to dealer, lessee, and other	43%	39%	40%	40%

The number of off-lease vehicles remarketed during the three months and six months ended June 30, 2015 decreased 25% and 12%, respectively, compared to the same periods in 2014. The decreases were primarily due to an increase during the three months ended June 30, 2014 in the expiration of lease contracts associated with successful GM lease incentive programs offered during 2012. While we expect lease termination volumes to continue to remain near

current levels throughout 2015, actual termination volumes may vary in the future from forecasted volumes due to programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of a new vehicle, referred to as lease pull-ahead programs. GM's recent decision to provide lease subvention programs for their products exclusively through its wholly-owned subsidiary, GMF, is not expected to affect lease termination volumes throughout 2015.

Average gain per vehicle decreased during the three months and six months ended June 30, 2015, primarily due to lower lifetime depreciation recognized on terminated lease vehicles as a result of higher anticipated proceeds based on recent market conditions. For more

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information on our investment in operating leases, refer to Note 8 to the Condensed Consolidated Financial Statements, and Note 1 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K.

Lease Portfolio Mix

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

	June 30, 2015		December 31, 2014	
Car	40	%	42	%
Truck	13		11	
Sport utility vehicle	47		47	

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 20 to the Condensed Consolidated Financial Statements for further information.

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

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets. Additionally, we have exposure to equity price risk related to certain share-based compensation. We enter into prepaid equity forward contracts to economically hedge a portion of this exposure.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Net Financing Revenue Sensitivity Analysis

Interest rate risk represents our most significant exposure to market risk. We actively monitor the level of exposure so that movements in interest rates do not adversely affect future earnings. We use net financing revenue sensitivity analysis as our primary metric to measure and manage the interest rate sensitivities of our financial instruments.

We prepare forward-looking forecasts of net financing revenue, 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 financing revenue in multiple interest rates scenarios relative to the baseline forecast. The changes in net financing revenue relative to the baseline are defined as the sensitivity. Our simulation incorporates contractual cash flows and repricing characteristics for all assets, liabilities and off-balance sheet exposures and incorporates the effects of changing interest rates on the prepayment and attrition rates of certain assets and liabilities. The analysis is highly dependent upon a variety of assumptions including the repricing characteristics of deposits with non-contractual maturities. Our simulation does not assume any specific future actions are taken to mitigate the impacts of changing interest rates. Relative to our baseline forecast, which is based on the implied forward curve, our net financing revenue over the next twelve months would increase by $39 million if interest rates

remain unchanged.

The net financing revenue sensitivity tests measure the potential change in our pretax net financing revenue over the following twelve months. A number of alternative rate scenarios are tested, including immediate and gradual parallel shocks to both current spot rates and the market forward curve. We also evaluate nonparallel shocks to interest rates and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

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Our twelve-month pretax net financing revenue sensitivity based on the market forward-curve was as follows.

	June 30, 2015		December 31, 2014	
Change in Interest Rates ($ in millions)	Instantaneous	Gradual (a)	Instantaneous	Gradual (a)
-100 basis points	$27	$43	$78	n/a
+100 basis points	(110)	(32)	(130)	n/a
+200 basis points	(266)	(78)	(215)	n/a

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

We remain moderately liability sensitive as our simulation models assume liabilities will initially re-price faster than assets. A material portion of our interest rate exposure has historically been driven by Prime rate index floors on certain commercial loans that limit interest income increases until the index rises above the level of the floor. Due to market demand for our London Interbank Offered Rate (LIBOR)-based product and to reduce our exposure to rising interest rates, we have migrated a substantial portion of our dealer floorplan accounts from Prime to LIBOR indices. As of June 30, 2015, approximately 80% of our floorplan assets will re-price directly with changes in short-term interest rates. The migration of dealer floorplan accounts to LIBOR-based indices is the primary driver of the reduced negative impact of the +100 basis point scenario since December 31, 2014. The positive impact of downward rate shocks remains somewhat muted by the current low interest rate environment, which limits absolute declines in short-term rates in a shock scenario.

The future repricing behavior of retail deposit liabilities, particularly non-maturity deposits, remains a significant driver of interest rate sensitivity. The sustained low interest rate environment increases the uncertainty of assumptions for deposit repricing relationships to market interest rates. Our interest rate risk models use dynamic assumptions driven by a number of factors, including the overall level of interest rates and the spread between short-term and long-term interest rates to project changes in our retail deposit offered rates. Ally’s interest rate risk metrics currently assume a long-term retail deposit beta of greater than 80%. We believe our deposits may ultimately be less sensitive to interest rate changes, which will reduce our overall exposure to rising rates. Assuming a long-term retail deposit beta of 50% (vs. current assumption of greater than 80%) would result in a consolidated interest rate risk position that is neutral to asset sensitive.

Our pro-forma rate sensitivity assuming a 50% deposit pass-through based on the market forward-curve as of June 30, 2015, was as follows.

	June 30, 2015	
Change in Interest Rates ($ in millions)	Instantaneous	Gradual (a)
-100 basis points	$(121)	$(4)
+100 basis points	1	8
+200 basis points	(23)	12

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

Our liability sensitive risk position is also driven by receive-fixed interest rate swaps designated as fair value hedges of certain fixed-rate liabilities including legacy unsecured debt. These swaps continue to generate positive financing revenue in the current interest rate environment, but also add to our liability sensitive position. The size, maturity and mix of our hedging activities change frequently as we adjust our broader asset and liability management objectives.

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of funding include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, and investor profiles. Additional liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the 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 unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet cash flow obligations caused by unanticipated events. Managing liquidity needs and contingent funding exposures has proven essential to the solvency of financial institutions.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for overseeing our liquidity, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing our liquidity positions within prudent operating guidelines and targets approved by ALCO and the Risk and Compliance Committee of the Ally Financial Board of Directors. Liquidity risk is managed for the parent company, Ally Bank, and the consolidated organization. The parent company and Ally Bank prepare periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by the Liquidity Risk group within Corporate Treasury. Corporate Treasury executes our funding strategies and manages liquidity under baseline economic projections as well as more severely stressed macroeconomic environments.

Multiple measures are used to frame the level of liquidity risk, manage the liquidity position, or identify related trends. 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 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 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, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. The available liquidity is held at various entities and considers regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At June 30, 2015, we maintained $5.1 billion of total available parent company liquidity and $9.9 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. To optimize cash between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. At June 30, 2015, there was no debt outstanding under the intercompany loan agreement.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on the timely and cost-effective access to retail deposits and funding in different segments of the capital markets. Our funding strategy largely focuses on the development of diversified funding sources across a broad investor base to meet liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include wholesale and retail unsecured debt, public and private asset-backed securitizations, whole-loan sales, committed credit facilities, brokered deposits, and retail deposits. We also supplement these funding sources with a modest amount of short-term borrowings, including

Demand Notes, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and maturity profiles. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company (nonbank) funding.

We 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. We optimize our funding sources at Ally Bank by growing retail deposits, maintaining active public and private securitization programs, managing a prudent maturity profile of our brokered deposit portfolio, utilizing repurchase agreements, and continuing to access funds from the FHLB.

Since 2009, a significant portion of asset originations in the United States have been directed to Ally Bank in order to reduce parent company exposures and funding requirements, and to utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Ally Bank

Ally Bank gathers retail deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. These retail deposits provide our Automotive Finance, Mortgage, and Corporate Finance operations with a stable and low-cost funding source. At June 30, 2015, Ally Bank had $61.7 billion of total external deposits, including $51.8 billion of retail deposits.

At June 30, 2015, Ally Bank maintained cash liquidity of $2.8 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of $6.9 billion. In addition, at June 30, 2015, Ally Bank had unused capacity in committed secured funding facilities of $235 million. Our ability to access unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize cash between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to a five day notice period. Ally Bank had total available liquidity of $9.9 billion at June 30, 2015, while there was no debt outstanding on the intercompany loan.

Optimizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating asset originations to Ally Bank and growing our retail deposit base since becoming a BHC in December 2008. Retail deposit growth is a key driver of optimizing funding costs and reducing reliance on capital markets based funding. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through both direct and indirect marketing channels. Current retail deposit offerings consist of a variety of products including certificates of deposit (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first six months of 2015 the deposit base at Ally Bank grew $3.8 billion, ending the quarter at $61.7 billion from $57.9 billion at December 31, 2014. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market accounts. Strong retention rates continue to materially contribute to our growth in retail deposits. Refer to Note 12 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 2014.

($ in millions)	2nd Quarter 2015	1st Quarter 2015	4th Quarter 2014	3rd Quarter 2014	2nd Quarter 2014	1st Quarter 2014
Number of retail accounts	1,874,632	1,818,770	1,731,105	1,698,585	1,641,327	1,589,441
Deposits						
Retail	$51,750	$50,633	$47,954	$46,718	$45,934	$45,193
Brokered	9,861	9,853	9,885	9,692	9,684	9,683
Other (a)	89	79	64	73	75	70
Total deposits	$61,700	$60,565	$57,903	$56,483	$55,693	$54,946

(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 2015, Ally Bank completed one term securitization transaction backed by dealer floorplan notes that raised $675 million.

Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset, creating an effective tool for managing interest rate and liquidity risk. We manage secured funding execution risk by maintaining a diverse investor base and available committed credit facility capacity. Ally Bank has exclusive access to a syndicated credit facility comprised of eighteen lenders that can fund automotive retail and dealer floorplan loans, as well as leases. During March 2015, this facility was renewed and increased to $4.5 billion with the maturity extended to March 2017. In June 2015, $1.25 billion of commitment was transferred from Ally Bank to AFI (parent company), which reduced the Ally Bank capacity to $3.25 billion. At June 30, 2015, the amount outstanding under this facility was $3.0 billion. Our ability to access the unused capacity in the secured facility depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges.

Ally Bank also has access to funding through advances with the FHLB. These advances are primarily secured by consumer and commercial mortgage finance receivables and loans. As of June 30, 2015, Ally Bank had pledged $12.4 billion of assets and investment securities to the FHLB resulting in $8.2 billion in total funding capacity with $7.9 billion of debt outstanding.

In addition, Ally Bank has access to repurchase agreements. A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. The financial instruments sold in repurchase agreements typically include U.S. government and federal agency, and investment-grade sovereign obligations. As of June 30, 2015, Ally Bank had no debt outstanding under repurchase agreements.

Additionally, Ally Bank has access to the Federal Reserve Bank Discount Window and can borrow funds to meet short-term liquidity demands. However, the Federal Reserve Bank is not a primary source of funding for day to day business. Instead, it is a liquidity source that can be accessed in stressed environments or periods of market disruption. Ally Bank has assets pledged and restricted as collateral to the Federal Reserve Bank totaling $3.1 billion. Ally Bank had no debt outstanding with the Federal Reserve as of June 30, 2015.

Parent Company (Nonbank) Funding

At June 30, 2015, the parent company maintained liquid cash and equivalents in the amount of $2.6 billion as well as unencumbered highly liquid U.S. federal government and U.S. agency securities of $1.4 billion that can be used to obtain funding through repurchase agreements with third parties or outright sales. At June 30, 2015, the parent company had $2.0 billion debt outstanding under repurchase agreements. In addition, at June 30, 2015, the parent company had available liquidity from unused capacity in committed credit facilities of $1.1 billion. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. The parent company's ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges. Funding sources at the parent company generally consist of long-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. To optimize cash and secured facility capacity between entities, the parent company may lend cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to a five day notice period. The parent company had total available liquidity of $5.1 billion at June 30, 2015, while there was no debt outstanding on the intercompany loan.

In the second quarter of 2015, we completed a dual tranche transaction through the unsecured debt capital markets totaling $1.4 billion. In addition, Ally Financial Inc. completed a tender offer to buy back $875 million of its high-coupon debt. We recorded a loss of $148 million on extinguishment of debt in the second quarter related to this transaction. We expect to continue accessing the unsecured debt capital markets as well as reducing our high-cost debt on an opportunistic basis.

In addition, we have short-term and long-term unsecured debt outstanding from retail term note programs. These programs generally consist of callable fixed-rate instruments with fixed-maturity dates. There were $387 million and $335 million of retail term notes outstanding at June 30, 2015, and December 31, 2014, 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 $3.4 billion at June 30, 2015, compared to $3.3 billion at December 31, 2014. Refer to Note 13 and Note 14 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. 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, 2015, $18.4 billion of our $19.1 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, 2015, we had $14.6 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. The parent company's largest facility is a $9.25 billion revolving syndicated credit facility secured by automotive receivables. In March 2015, this facility was renewed by a syndicate of eighteen lenders for $8 billion and extended until March 2017. In June 2015, $1.25 billion of commitment was transferred from Ally Bank to AFI (parent company), which increased the parent company capacity to $9.25 billion. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At June 30, 2015, there was $9.25 billion outstanding under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets.

During the second quarter of 2015, the parent company raised $1.4 billion through a public securitization transaction comprised of nonprime retail automotive loan collateral and the sale of retained secured notes.

At June 30, 2015, the parent company maintained exclusive access to $19.1 billion of committed secured credit facilities with outstanding debt of $18.1 billion.

Recent Funding Developments

During the first six months of 2015, we accessed the public and private markets to execute secured funding transactions, a whole-loan sale, unsecured funding transactions, and funding facility renewals totaling $22.1 billion. Key funding highlights from January 1, 2015 to date were as follows:

- Ally Financial Inc. renewed, increased, and/or extended $12.5 billion in U.S. credit facilities. The automotive credit facility renewal amount includes the March 2015 refinancing of $12.5 billion in credit facilities at both the parent company and Ally Bank with a syndicate of eighteen lenders. The $12.5 billion capacity is secured by retail, lease, and dealer floorplan automotive assets and is allocated to two separate facilities; one is a $9.25 billion facility which is available to the parent company, while the other is a $3.25 billion facility available to Ally Bank. Both facilities mature in March 2017.

- Ally Financial Inc. continued to access the public and private term asset-backed securitization markets completing seven U.S. transactions that raised $4.7 billion, with $2.1 billion and $2.6 billion raised by Ally Bank and the parent company, respectively. In addition, Ally Bank raised $1.0 billion related to a whole-loan sale comprised of retail automotive loans.
- Ally Financial Inc. accessed the unsecured debt capital markets in the first half of 2015 and raised $3.9 billion, including $1.4 billion in the second quarter of 2015.
- In July 2015, Ally Bank raised $1.0 billion related to an off-balance sheet securitization backed by retail automotive loans.

Funding Sources

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

($ in millions)	Bank	Parent	Total	%
June 30, 2015				
Secured financings	$25,693	$27,146	$52,839	38
Institutional term debt	—	18,856	18,856	14
Retail debt programs (a)	—	3,846	3,846	3
Total debt (b)	25,693	49,848	75,541	55
Deposits (c)	61,700	247	61,947	45
Total on-balance sheet funding	$87,393	$50,095	$137,488	100
December 31, 2014				
Secured financings	$27,135	$20,732	$47,867	36
Institutional term debt	—	21,628	21,628	17
Retail debt programs (a)	—	3,673	3,673	3
Total debt (b)	27,135	46,033	73,168	56
Deposits (c)	57,903	319	58,222	44
Total on-balance sheet funding	$85,038	$46,352	$131,390	100

(a) Includes $387 million and $335 million of Retail Term Notes at June 30, 2015 and December 31, 2014, respectively.

(b) Excludes fair value adjustment as described in Note 22 to the Condensed Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, and other deposits. Parent deposits include dealer deposits. Intercompany deposits are not included.

Refer to Note 14 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at June 30, 2015.

Committed Funding Facilities

	Outstanding		Unused capacity (a)		Total capacity	
($ in millions)	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Bank funding						
Secured	$3,015	$ 3,250	$235	$ 250	$3,250	$ 3,500
Parent funding						
Secured	18,062	15,030	1,060	3,425	19,122	18,455
Total committed facilities	$21,077	$ 18,280	$1,295	$ 3,675	$22,372	$ 21,955

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

Cash Flows

Net cash provided by operating activities was $1.7 billion for the six months ended June 30, 2015, compared to $1.5 billion for the same period in 2014. The increase is primarily due to an increase of cash inflows from other assets and higher levels of operating income, as well as lower cash outflows from other liabilities and interest payable. This is partially offset by a decrease in new originations and purchases of loans held-for-sale exceeding cash inflows from sales and repayments of such loans.

Net cash used by investing activities was $5.2 billion for the six months ended June 30, 2015, compared to $90 million cash provided by investing activities for the same period in 2014. The decrease is primarily due to a $4.0 billion decrease in net cash provided by sales, maturities and repayment of available-for-sale securities, net of purchases. Also contributing to the decrease was a $3.2 billion decrease in net cash provided by finance receivables and loans and a $1.6 billion decrease resulting from changes in restricted cash balances. This was

partially offset by an increase in net cash provided by net cash inflows from operating lease activity of $2.6 billion and $1.0 billion in proceeds from the sale of a business unit.

Net cash provided by financing activities for the six months ended June 30, 2015, was $3.7 billion, compared to $1.4 billion cash used in financing activities for the same period in 2014. The increase is primarily due to a net increase in short-term borrowings of $2.9 billion for the six months ended June 30, 2015 compared to repayments of $2.2 billion for the six months ended June 30, 2014. Also contributing to the increase was an increase in deposits of $1.0 billion. This was partially offset by an increase in dividends paid of $1.2 billion and the repurchase and redemption of preferred stock of $442 million in 2015.

Capital Planning and Stress Tests

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

Ally’s capital plan must include a description of all planned capital actions over a nine-quarter planning horizon. The capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5.0% under baseline, adverse, and severely adverse economic scenarios, and serve as a source of strength to Ally Bank. The FRB must approve Ally's capital plan before Ally may take any capital action. Even with an approved capital plan, Ally must seek the approval of the FRB before making a capital distribution if, among other factors, Ally would not meet its regulatory capital requirements after making the proposed capital distribution.

On January 5, 2015, Ally submitted the results of its semi-annual stress test and its proposed capital actions to the FRB, and Ally Bank submitted the results of its annual company-run stress test to the Federal Deposit Insurance Corporation. On March 6, 2015, Ally and Ally Bank publicly disclosed summary results of the stress test under the most severe scenario in accordance with regulatory requirements. On March 11, 2015, Ally received a non-objection to its capital plan from the FRB, including the proposed capital actions contained in its submission. As a result, we redeemed $1.3 billion in Series G preferred securities in April 2015, and repurchased $325 million in Series A preferred securities in May 2015.

The remaining capital actions associated with the previously submitted capital plan are intended to occur during the remainder of 2015 and 2016 including the use of capital to repurchase additional high-cost unsecured debt as part of our ALM initiatives. Subject to a variety of factors, including a non-objection from our regulators, Ally may redeem additional preferred securities in 2015.

On July 6, 2015, Ally submitted to the FRB the results of our company-run mid-year stress test conducted under multiple macroeconomic scenarios. We disclosed the results of this stress test under the most severe scenario on July 15, 2015 in accordance with regulatory requirements.

Regulatory Capital

Refer to Note 19 to the Condensed Consolidated Financial Statements and Selected Financial Data within this MD&A.

Credit Ratings

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

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

Rating agency	Short-term	Senior unsecured debt	Outlook	Date of last action
Fitch	B	BB+	Stable	April 8, 2015 (a)
Moody’s	Not Prime	B1	Positive	July 14, 2014 (b)
S&P	B	BB+	Stable	December 12, 2014 (c)
DBRS	R-4	BB (High)	Positive	May 18, 2015 (d)

(a) Fitch affirmed our senior unsecured debt rating of BB+, affirmed our short term rating of B and maintained a Stable outlook on April 8, 2015.

(b) Moody's affirmed our corporate family rating of Ba3, senior unsecured debt rating of B1, and short-term rating of Not Prime and changed the outlook to Positive on July 14, 2014. Effective December 1, 2014, we determined to not renew our contractual arrangement with Moody's related to their providing of our corporate family, senior debt, and short-term ratings. Notwithstanding this, Moody's has determined to continue to provide these ratings on a discretionary basis. However, Moody's has no obligation to continue to provide these ratings, and could cease doing so at any time.

(c) Standard & Poor's upgraded our senior unsecured debt rating to BB+ from BB and affirmed our short term rating of B on December 12, 2014.

(d) DBRS upgraded our senior unsecured debt rating to BB (High) from BB, confirmed our short term rating of R-4, and maintained a Positive trend on all ratings on May 18, 2015.

Insurance Financial Strength Ratings

Substantially all of our Insurance operations have a Financial Strength Rating (FSR) and an Issuer Credit Rating (ICR) from the 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. On May 22, 2015, A.M. Best affirmed the FSR of B++ (good) and affirmed the ICR of bbb+.

Off-balance Sheet Arrangements

Refer to Note 9 to the Condensed Consolidated Financial Statements.

Critical Accounting Estimates

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

Our most critical accounting estimates are as follows.

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

There have been no significant changes in the methodologies and processes used in developing these estimates from what was described in our 2014 Annual Report on Form 10-K.

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

Statistical Table

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

Net Interest Margin Table

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

	2015			2014			Increase (decrease) due to (a)		
Three months ended June 30, ($ in millions)	Average balance (b)	Interest income/ Interest expense	Yield/ rate	Average balance (b)	Interest income/ Interest expense	Yield/ rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	$4,013	$2	0.20 %	$3,863	$1	0.10 %	$—	$ 1	$1
Federal funds sold and securities purchased under resale agreements	1	—	—	—	—	—	—	—	—
Investment securities (c)	17,078	86	2.02	15,578	86	2.21	8	(8)	—
Loans held-for-sale, net	1,493	14	3.76	26	1	15.43	15	(2)	13
Finance receivables and loans, net (d) (e)	101,962	1,118	4.40	100,159	1,124	4.50	20	(26)	(6)
Investment in operating leases, net (f)	18,520	297	6.43	18,544	375	8.11	—	(78)	(78)
Total interest-earning assets	143,067	1,517	4.25	138,170	1,587	4.61	43	(113)	(70)
Noninterest-bearing cash and cash equivalents	1,337			1,550					
Other assets (g)	9,670			11,306					
Allowance for loan losses	(953)			(1,201)					
Total assets	$153,121			$149,825					
Liabilities									
Interest-bearing deposit liabilities	$61,242	$177	1.16 %	$55,556	$166	1.20 %	16	(5)	11
Short-term borrowings	6,057	12	0.79	6,149	13	0.85	—	(1)	(1)
Long-term debt (e) (h) (i)	66,551	419	2.53	67,727	549	3.25	(9)	(121)	(130)
Total interest-bearing liabilities (e) (h) (j)	133,850	608	1.82	129,432	728	2.26	7	(127)	(120)
Noninterest-bearing deposit liabilities	81			70					
Total funding sources (h) (k)	133,931	608	1.82	129,502	728	2.25			
Other liabilities (l)	4,538			5,661					
Total liabilities	138,469			135,163					
Total equity	14,652			14,662					
Total liabilities and equity	$153,121			$149,825					
Net financing revenue		$909			$859		$36	$ 14	$50

Net interest spread (m)	2.43 %	2.35 %
Net interest spread excluding original issue discount (m)	2.48 %	2.52 %
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (m)	2.48 %	2.52 %
Net yield on interest-earning assets (n)	2.55 %	2.49 %
Net yield on interest-earning assets excluding original issue discount (n)	2.58 %	2.63 %

(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 equity investments with an average balance of $1,037 million and $889 million at June 30, 2015 and 2014, respectively, and related income on equity investments of $7 million during the three months ended June 30, 2015 and 2014, 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 2014 Annual Report on Form 10-K.

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

(f) Includes remarketing gains of $108 million and $168 million during the three months ended June 30, 2015 and 2014, respectively. Excluding these gains on sale, the annualized yield would be 4.09% and 4.48% at June 30, 2015 and 2014, respectively.

(g) Includes average balances of assets of discontinued operations.

(h) Average balance includes $1,334 million and $1,463 million related to original issue discount (OID) at June 30, 2015 and 2014, respectively. Interest expense includes OID amortization of $11 million and $46 million during the three months ended June 30, 2015 and 2014, respectively.

(i) Excluding OID, the rate on long-term debt was 2.41% and 2.92% at June 30, 2015 and 2014, respectively.

(j) Excluding OID, the rate on total interest-bearing liabilities was 1.77% and 2.09% at June 30, 2015 and 2014, respectively.

(k) Excluding OID, the rate on total funding sources was 1.77% and 2.09% at June 30, 2015 and 2014, respectively.

(l) Includes average balances of liabilities of discontinued operations.

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

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

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Six months ended June 30, ($ in millions)	2015			2014			Increase (decrease) due to (a)		
	Average balance (b)	Interest income/ Interest expense	Yield/ rate	Average balance (b)	Interest income/ Interest expense	Yield/ rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	$4,206	$4	0.19 %	$4,579	$4	0.18 %	$—	$ —	$—
Federal funds sold and securities purchased under resale agreements	4	—	—	—	—	—	—	—	—
Investment securities (c)	16,494	169	2.07	15,645	176	2.27	10	(17)	(7)
Loans held-for-sale, net	1,719	38	4.46	18	1	11.20	39	(2)	37
Finance receivables and loans, net (d) (e)	100,412	2,192	4.40	99,606	2,231	4.52	18	(57)	(39)
Investment in operating leases, net (f)	18,960	571	6.07	18,272	703	7.76	26	(158)	(132)
Total interest-earning assets	141,795	2,974	4.23	138,120	3,115	4.55	93	(234)	(141)
Noninterest-bearing cash and cash equivalents	1,580			1,495					
Other assets (g)	9,731			11,596					
Allowance for loan losses	(961)			(1,203)					
Total assets	$152,145			$150,008					
Liabilities									
Interest-bearing deposit liabilities	$60,321	$349	1.17 %	$54,883	$329	1.21 %	31	(11)	20
Short-term borrowings	6,168	23	0.75	6,395	28	0.88	(1)	(4)	(5)
Long-term debt (e) (h) (i)	65,863	848	2.60	68,375	1,083	3.19	(38)	(197)	(235)
Total interest-bearing liabilities (e) (h) (j)	132,352	1,220	1.86	129,653	1,440	2.24	(8)	(212)	(220)
Noninterest-bearing deposit liabilities	77			67					
Total funding sources (h) (k)	132,429	1,220	1.86	129,720	1,440	2.24			
Other liabilities (l)	4,548			5,791					
Total liabilities	136,977			135,511					
Total equity	15,168			14,497					
Total liabilities and equity	$152,145			$150,008					
Net financing revenue		$1,754			$1,675		$101	$ (22)	$79
Net interest spread (m)			2.37 %			2.31 %			
Net interest spread excluding original issue discount (m)			2.42 %			2.47 %			
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (m)			2.42 %			2.48 %			
			2.49 %			2.45 %			

Net yield on interest-earning assets (n)		
Net yield on interest-earning assets excluding original issue discount (n)	2.52 %	2.58 %

(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 equity investments with an average balance of $943 million and $907 million at June 30, 2015 and 2014, respectively, and related income on equity investments of $12 million during the six months ended June 30, 2015 and 2014, 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 2014 Annual Report on Form 10-K.

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

(f) Includes remarketing gains of $178 million and $277 million during the six months ended June 30, 2015 and 2014, respectively. Excluding these gains on sale, the annualized yield would be 4.18% and 4.70% at June 30, 2015 and 2014, respectively.

(g) Includes average balances of assets of discontinued operations.

(h) Average balance includes $1,339 million and $1,486 million related to original issue discount (OID) at June 30, 2015 and 2014, respectively. Interest expense includes OID amortization of $21 million and $90 million during the six months ended June 30, 2015 and 2014, respectively.

(i) Excluding OID, the rate on long-term debt was 2.48% and 2.87% at June 30, 2015 and 2014, respectively.

(j) Excluding OID, the rate on total interest-bearing liabilities was 1.81% and 2.08% at June 30, 2015 and 2014, respectively.

(k) Excluding OID, the rate on total funding sources was 1.81% and 2.07% at June 30, 2015 and 2014, respectively.

(l) Includes average balances of liabilities of discontinued operations.

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

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

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Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward-looking Statements

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 10-Q contain various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorit "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negatives 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.

While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on SEC Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports filed with the SEC. Such factors include, among others, the following: maintaining the mutually beneficial relationship between Ally and General Motors, and Ally and Chrysler, and our ability to further diversify our business; the significant regulation and restrictions that we are subject to as a bank holding company and financial holding company; 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 our credit ratings; 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).

Use of the term "loans" describes products associated with direct and indirect lending activities of Ally's global operations. The specific products include retail installment sales contracts, loans, lines of credit, leases or other financing products. The term "originate" refers to Ally's purchase, acquisition, or direct origination of various "loan" products.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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Item 1. Legal Proceedings
Refer to Note 26 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 30 to our 2014 Annual Report on Form 10-K.
Item 1A. Risk Factors
There have been no material changes to the Risk Factors described in our 2014 Annual Report on Form 10-K and subsequent quarterly report on Form 10-Q for the three months ended March 31, 2015.
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Repurchases Under Share-Based Incentive Plans
The following table presents repurchases of our common stock, by month, for the three months ended June 30, 2015. All repurchases reflected below include only shares of common stock that were withheld to cover income taxes owed by participants in our share-based incentive plans.

Three months ended June 30, 2015	Total number of shares repurchased	Weighted-average price paid per share
April 2015	511	$20.61
May 2015	568	20.17
June 2015	6,572	22.73
Total	7,651	$22.40

Repurchases of Equity Securities Under Repurchase Programs
The following table presents repurchases of our Series A preferred stock, by month, for the three months ended June 30, 2015. On
April 23, 2015, we announced a tender offer to purchase up to 13,000,000 shares of our outstanding Series A preferred stock for $26.65 per Series A share. This offer expired on May 20, 2015.

Three months ended June 30, 2015	Total number of shares repurchased	Weighted-average price paid per share	Total number of shares repurchased as part of publicly announced plans or programs	Number of shares that may yet be repurchased under the plan or programs
April 2015	—	$—	—	13,000,000
May 2015	13,000,000	26.65	13,000,000	—
June 2015	—	—	—	—
Total	13,000,000	$26.65	13,000,000	—

Item 3. Defaults upon Senior Securities
None.
Item 4. Mine Safety Disclosures
Not applicable.
Item 5. Other Information
None.
Item 6. Exhibits
The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

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Signatures
Ally Financial Inc. • Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 30th day of July, 2015.

Ally Financial Inc.
(Registrant)

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

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

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INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	Interactive Data File	Filed herewith.

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