Ally Financial Inc.
Form 10-Q
August 06, 2010
**Table of Contents**

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended June 30, 2010, or**

**¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to .**

**Commission file number: 1-3754**

# ALLY FINANCIAL INC.

*(Exact name of registrant as specified in its charter)*

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

**200 Renaissance Center**

**P.O. Box 200, Detroit, Michigan**

**48265-2000**

*(Address of principal executive offices)*

*(Zip Code)*

**(866) 710-4623**

*(Registrant s telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing for the past 90 days.

Yes þ No ¨

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

At August 5, 2010, the number of shares outstanding of the Registrant s common stock was 799,120 shares.

**Table of Contents**

**ALLY FINANCIAL INC.**

## INDEX


| | | Page |
|---|---|---|
| **Part I** | **Financial Information** | |
| Item 1. | Financial Statements | 3 |
| | Consolidated Statement of Income (unaudited) for the Three and Six Months Ended June 30, 2010 and 2009 | 3 |
| | Consolidated Balance Sheet (unaudited) as of June 30, 2010, and December 31, 2009 | 4 |
| | Consolidated Statement of Changes in Equity (unaudited) for the Six Months Ended June 30, 2010 and 2009 | 6 |
| | Consolidated Statement of Cash Flows (unaudited) for the Six Months Ended June 30, 2010 and 2009 | 8 |
| | Notes to Consolidated Financial Statements (unaudited) | 10 |
| Item 2. | Management s Discussion and Analysis of Financial Condition and Results of Operations | 68 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 116 |
| Item 4. | Controls and Procedures | 116 |
| **Part II** | **Other Information** | |
| Item 1. | Legal Proceedings | 117 |
| Item 1A. | Risk Factors | 117 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 119 |
| Item 3. | Defaults Upon Senior Securities | 119 |
| Item 4. | (Removed and Reserved) | 119 |
| Item 5. | Other Information | 119 |
| Item 6. | Exhibits | 119 |
| **Signatures** | | 120 |
| **Index of Exhibits** | | 121 |

Table of Contents

PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

ALLY FINANCIAL INC.

CONSOLIDATED STATEMENT OF INCOME (unaudited)

| ($ in millions) | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|
| **Financing revenue and other interest income** | | | | |
| Finance receivables and loans | | | | |
| Consumer | **$ 1,128** | $ 1,175 | **$ 2,258** | $ 2,408 |
| Commercial | **456** | 434 | **891** | 852 |
| Notes receivable from General Motors | **40** | 47 | **95** | 89 |
| Total finance receivables and loans | **1,624** | 1,656 | **3,244** | 3,349 |
| Loans held-for-sale | **156** | 84 | **371** | 168 |
| Interest on trading securities | **6** | 34 | **7** | 57 |
| Interest and dividends on available-for-sale investment securities | **91** | 55 | **191** | 113 |
| Interest bearing cash | **18** | 27 | **32** | 69 |
| Other interest income, net | **(4)** | 30 | | 55 |
| Operating leases | **1,011** | 1,503 | **2,174** | 3,105 |
| Total financing revenue and other interest income | **2,902** | 3,389 | **6,019** | 6,916 |
| **Interest expense** | | | | |
| Interest on deposits | **155** | 179 | **313** | 357 |
| Interest on short-term borrowings | **100** | 182 | **212** | 343 |
| Interest on long-term debt | **1,409** | 1,579 | **2,844** | 3,236 |
| Total interest expense | **1,664** | 1,940 | **3,369** | 3,936 |
| Depreciation expense on operating lease assets | **526** | 1,056 | **1,182** | 2,113 |
| Net financing revenue | **712** | 393 | **1,468** | 867 |
| **Other revenue** | | | | |
| Servicing fees | **384** | 393 | **769** | 797 |
| Servicing asset valuation and hedge activities, net | **(21)** | (225) | **(154)** | (577) |
| Total servicing income, net | **363** | 168 | **615** | 220 |
| Insurance premiums and service revenue earned | **477** | 496 | **945** | 991 |
| Gain on mortgage and automotive loans, net | **266** | 206 | **537** | 489 |
| (Loss) gain on extinguishment of debt | **(3)** | 13 | **(121)** | 657 |
| Other gain on investments, net | **95** | 97 | **235** | 83 |
| Other income, net of losses | **190** | (113) | **275** | (323) |
| Total other revenue | **1,388** | 867 | **2,486** | 2,117 |
| **Total net revenue** | **2,100** | 1,260 | **3,954** | 2,984 |
| **Provision for loan losses** | **220** | 1,117 | **366** | 1,863 |
| **Noninterest expense** | | | | |
| Compensation and benefits expense | **388** | 389 | **815** | 754 |

| | | | | |
|---|---|---|---|---|
| Insurance losses and loss adjustment expenses | **224** | 261 | **435** | 546 |
| Other operating expenses | **822** | 1,076 | **1,711** | 2,081 |
| Total noninterest expense | **1,434** | 1,726 | **2,961** | 3,381 |
| **Income (loss) from continuing operations before income tax expense** | **446** | (1,583) | **627** | (2,260) |
| Income tax expense from continuing operations | **33** | 1,096 | **69** | 972 |
| **Net income (loss) from continuing operations** | **413** | (2,679) | **558** | (3,232) |
| Income (loss) from discontinued operations, net of tax | **152** | (1,224) | **169** | (1,346) |
| **Net income (loss)** | **$ 565** | $ (3,903) | **$ 727** | $ (4,578) |

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

3

Table of Contents

**ALLY FINANCIAL INC.**

**CONSOLIDATED BALANCE SHEET (unaudited)**

| *($ in millions)* | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | | |
| Noninterest bearing | **$ 820** | $ 1,840 |
| Interest bearing | **13,528** | 12,948 |
| Total cash and cash equivalents | **14,348** | 14,788 |
| Trading securities | **209** | 739 |
| Investment securities | | |
| Available-for-sale | **12,710** | 12,155 |
| Held-to-maturity | | 3 |
| Total investment securities | **12,710** | 12,158 |
| Loans held-for-sale ($4,167 and $5,545 fair value elected) | **10,382** | 20,625 |
| Finance receivables and loans, net of unearned income | | |
| Consumer ($2,345 and $1,303 fair value elected) | **55,346** | 42,849 |
| Commercial | **37,005** | 33,941 |
| Notes receivable from General Motors | **365** | 911 |
| Allowance for loan losses | **(2,377)** | (2,445) |
| Total finance receivables and loans, net | **90,339** | 75,256 |
| Investment in operating leases, net | **11,895** | 15,995 |
| Mortgage servicing rights | **2,983** | 3,554 |
| Premiums receivable and other insurance assets | **2,251** | 2,720 |
| Other assets | **19,646** | 19,887 |
| Assets of operations held-for-sale ($8,398 fair value elected at June 30, 2010) | **12,039** | 6,584 |
| Total assets | **$ 176,802** | $ 172,306 |
| **Liabilities** | | |
| Deposit liabilities | | |
| Noninterest bearing | **$ 2,276** | $ 1,755 |
| Interest bearing | **32,938** | 30,001 |
| Total deposit liabilities | **35,214** | 31,756 |
| Debt | | |
| Short-term borrowings | **7,054** | 10,292 |
| Long-term debt ($2,178 and $1,293 fair value elected) | **85,205** | 88,021 |
| Total debt | **92,259** | 98,313 |
| Interest payable | **1,692** | 1,637 |
| Unearned insurance premiums and service revenue | **2,990** | 3,192 |
| Reserves for insurance losses and loss adjustment expenses | **962** | 1,215 |
| Accrued expenses and other liabilities | **11,575** | 10,456 |
| Liabilities of operations held-for-sale ($7,857 fair value elected at June 30, 2010) | **11,337** | 4,898 |
| Total liabilities | **156,029** | 151,467 |
| **Equity** | | |
| Common stock and paid-in capital | **13,829** | 13,829 |
| Preferred stock held by U.S. Department of Treasury | **10,893** | 10,893 |

| | | | | |
|---|---|---|---|---|
| Preferred stock | | **1,287** | | 1,287 |
| Accumulated deficit | | **(5,421)** | | (5,630) |
| Accumulated other comprehensive income | | **185** | | 460 |
| Total equity | | **20,773** | | 20,839 |
| Total liabilities and equity | **$** | **176,802** | $ | 172,306 |

4

Table of Contents

**ALLY FINANCIAL INC.**

**CONSOLIDATED BALANCE SHEET (unaudited)**

The assets of consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse to our general credit at June 30, 2010, were as follows.

| *($ in millions)* | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | |
| Noninterest bearing | **$ 3** |
| Loans held-for-sale | **92** |
| Finance receivables and loans, net of unearned income | |
| Consumer ($2,345 fair value elected) | **19,910** |
| Commercial | **12,418** |
| Allowance for loan losses | **(347)** |
| Total finance receivables and loans, net | **31,981** |
| Investment in operating leases, net | **3,364** |
| Other assets | **4,304** |
| Assets of operations held-for-sale | **10,481** |
| Total assets | **$ 50,225** |
| **Liabilities** | |
| Debt | |
| Short-term borrowings | **$ 1,610** |
| Long-term debt ($2,178 fair value elected) | **26,654** |
| Total debt | **28,264** |
| Interest payable | **28** |
| Accrued expenses and other liabilities | **608** |
| Liabilities of operations held-for-sale | **10,547** |
| Total liabilities | **$ 39,447** |

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

Table of Contents

**ALLY FINANCIAL INC.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)**

**Six Months Ended June 30, 2010 and 2009**

| *($ in millions)* | Members interests | Preferred interests held by U.S. Department of Treasury | Preferred interests | Retained earnings | Accumulated other comprehensive (loss) income | Total equity | Comprehensive (loss) income |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2009** | $ 9,670 | $ 5,000 | $ 1,287 | $ 6,286 | $ (389) | $ 21,854 | |
| Capital contributions (a) | 1,247 | | | | | 1,247 | |
| Net loss | | | | (4,578) | | (4,578) | $ (4,578) |
| Preferred interests dividends paid to the U.S. Department of Treasury | | | | (160) | | (160) | |
| Preferred interests dividends | | | | (195) | | (195) | |
| Dividends to members (a) | | | | (119) | | (119) | |
| Issuance of preferred interests held by U.S. Department of Treasury | | 7,500 | | | | 7,500 | |
| Other comprehensive income | | | | | 497 | 497 | 497 |
| **Balance at June 30, 2009, before conversion from limited liability company to a corporation (b)** | $ 10,917 | $ 12,500 | $ 1,287 | $ 1,234 | $ 108 | $ 26,046 | $ (4,081) |

| *($ in millions)* | Common stock and paid-in capital | Preferred stock held by U.S. Department of Treasury | Preferred stock | Retained earnings | Accumulated other comprehensive income | Total equity | Comprehensive loss |
|---|---|---|---|---|---|---|---|
| **Balance at June 30, 2009, after conversion from limited liability company to a corporation** | $ 10,917 | $ 12,500 | $ 1,287 | $ 1,234 | $ 108 | $ 26,046 | $ (4,081) |

Table of Contents

**ALLY FINANCIAL INC.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)**

**Six Months Ended June 30, 2010 and 2009**

| *($ in millions)* | Common stock and paid-in capital | Preferred stock held by U.S. Department of Treasury | Preferred stock | Accumulated deficit | Accumulated other comprehensive income | Total equity | Comprehensive income (loss) |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2010, before cumulative effect of adjustments** | **$ 13,829** | **$ 10,893** | **$ 1,287** | **$ (5,630)** | **$ 460** | **$ 20,839** | |
| Cumulative effect of a change in accounting principle, net of tax (c) | | | | **(57)** | **4** | **(53)** | |
| **Balance at January 1, 2010, after cumulative effect of adjustments** | **$ 13,829** | **$ 10,893** | **$ 1,287** | **$ (5,687)** | **$ 464** | **$ 20,786** | |
| Net income | | | | **727** | | **727** | **$ 727** |
| Preferred stock dividends paid to the U.S. Department of Treasury | | | | **(386)** | | **(386)** | |
| Preferred stock dividends (a) | | | | **(142)** | | **(142)** | |
| Dividends to shareholders (a) | | | | **(7)** | | **(7)** | |
| Other comprehensive loss | | | | | **(279)** | **(279)** | **(279)** |
| Other (d) | | | | **74** | | **74** | |
| **Balance at June 30, 2010** | **$ 13,829** | **$ 10,893** | **$ 1,287** | **$ (5,421)** | **$ 185** | **$ 20,773** | **$ 448** |

(a) Refer to Note 17 to the Consolidated Financial Statements for further details.

(b) 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 preferred stock with substantially the same rights and preferences as the former preferred membership interests.

(c) Cumulative effect of change in accounting principle, net of tax, due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

(d) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.

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

Table of Contents

**ALLY FINANCIAL INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)**

| Six months ended June 30, *($ in millions)* | **2010** | 2009 |
|---|---|---|
| **Operating activities** | | |
| Net income (loss) | **$ 727** | $ (4,578) |
| Reconciliation of net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | **2,249** | 3,302 |
| Impairment of goodwill and other intangible assets | | 607 |
| Other impairment | **16** | |
| Amortization and valuation adjustments of mortgage servicing rights | **944** | (303) |
| Provision for loan losses | **382** | 2,007 |
| (Gain) loss on sale of loans, net | **(559)** | 154 |
| Net (gain) loss on investment securities | **(256)** | 55 |
| Loss (gain) on extinguishment of debt | **116** | (657) |
| Originations and purchases of loans held-for-sale | **(27,600)** | (44,399) |
| Proceeds from sales and repayments of loans held-for-sale | **35,564** | 40,248 |
| Net change in: | | |
| Trading securities | **(28)** | 698 |
| Deferred income taxes | **(198)** | 1,115 |
| Interest payable | **61** | 179 |
| Other assets | **1,322** | 1,514 |
| Other liabilities | **375** | 673 |
| Other, net | **(1,532)** | 1,666 |
| Net cash provided by operating activities | **11,583** | 2,281 |
| **Investing activities** | | |
| Purchases of available-for-sale securities | **(11,994)** | (8,080) |
| Proceeds from sales of available-for-sale securities | **9,854** | 2,722 |
| Proceeds from maturities of available-for-sale securities | **2,535** | 2,125 |
| Net (increase) decrease in finance receivables and loans | **(8,291)** | 9,608 |
| Proceeds from sales of finance receivables and loans | **2,362** | 462 |
| Change in notes receivable from GM | **116** | 647 |
| Purchases of operating lease assets | **(1,491)** | (302) |
| Disposals of operating lease assets | **4,435** | 3,418 |
| (Purchases) sales of mortgage servicing rights, net | **(21)** | 13 |
| Sale of business unit, net (a) | **(12)** | 82 |
| Other, net | **1,699** | (484) |
| Net cash (used in) provided by investing activities | **(808)** | 10,211 |

Table of Contents

**ALLY FINANCIAL INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)**

| Six months ended June 30, *($ in millions)* | **2010** | 2009 |
|---|---|---|
| **Financing activities** | | |
| Net change in short-term debt | **(3,827)** | (1,762) |
| Net increase in bank deposits | **2,720** | 5,460 |
| Proceeds from issuance of long-term debt | **20,996** | 14,813 |
| Repayments of long-term debt | **(32,307)** | (36,517) |
| Proceeds from issuance of preferred interests held by U.S. Department of Treasury | | 7,500 |
| Proceeds from issuance of common members   interests | | 1,247 |
| Dividends paid | **(532)** | (448) |
| Other, net | **773** | 851 |
| Net cash used in financing activities | **(12,177)** | (8,856) |
| Effect of exchange-rate changes on cash and cash equivalents | **619** | (132) |
| Net (decrease) increase in cash and cash equivalents | **(783)** | 3,504 |
| Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b) | **343** | |
| Cash and cash equivalents at beginning of year | **14,788** | 15,151 |
| Cash and cash equivalents at June 30, | **$ 14,348** | $ 18,655 |
| **Supplemental disclosures** | | |
| Cash paid for: | | |
| Interest | **$ 3,209** | $ 4,057 |
| Income taxes | **306** | 247 |
| Noncash items: | | |
| Increase in finance receivables and loans due to a change in accounting principle (c) | **17,990** | |
| Increase in long-term debt due to a change in accounting principle (c) | **17,054** | |
| Loans held-for-sale transferred to finance receivables and loans | **27** | 771 |
| Finance receivables and loans transferred to loans-held-for sale | **40** | 1,297 |
| Finance receivables and loans transferred to other assets | **125** | 255 |
| Originations of mortgage servicing rights from sold loans | **94** | 189 |
| Other disclosures: | | |
| Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale | **249** | 328 |
| Proceeds from sales of repossessed, foreclosed, and owned real estate | **317** | 590 |
| Consolidation of loans, net | | 1,410 |
| Consolidation of collateralized borrowings | | 1,184 |

(a) Net of cash and cash equivalents of $745 million of the business unit at the time of disposition.

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

(c) Relates to the adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

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

Table of Contents

ALLY FINANCIAL INC.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is one of the world s largest automotive financial services companies. On December 24, 2008, we became a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). Our primary banking subsidiary is Ally Bank, which is an indirect wholly owned subsidiary of Ally Financial Inc.

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

The Consolidated Financial Statements as of June 30, 2010, and for the three months and six months ended June 30, 2010 and 2009, are unaudited but reflect all adjustments that are, in management s opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the U.S. Securities and Exchange Commission.

**Residential Capital, LLC**

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries, was negatively impacted by the events and conditions in the mortgage banking industry and the broader economy. The market deterioration led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap s operations. ResCap is highly leveraged relative to its cash flow and previously recognized credit and valuation losses resulting in a significant deterioration in capital. ResCap s consolidated tangible net worth, as defined, was $793 million as of June 30, 2010, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. For this purpose, consolidated tangible net worth is defined as ResCap s consolidated equity excluding intangible assets. There continues to be a risk that ResCap will not be able to meet its debt service obligations, will default on its financial debt covenants due to insufficient capital, and/or will be in a negative liquidity position in 2010 or future periods.

ResCap actively manages its liquidity and capital positions and is continually working on initiatives to address its debt covenant compliance and liquidity needs including debt maturing in the next twelve months and other risks and uncertainties. ResCap s initiatives include, but are not limited to, the following: continuing to work with key credit providers to optimize all available liquidity options; continued reduction of assets and other restructuring activities; focusing production on government and prime conforming products; exploring strategic alternatives such as alliances, joint ventures, and other transactions with third parties; and continued exploration of opportunities for funding and capital support from Ally and its affiliates. The outcomes of most of these initiatives are to a great extent outside of ResCap s control resulting in increased uncertainty as to their successful execution.

On December 30, 2009, we announced that as a result of our ongoing strategic review of how to best deploy Ally s current and future capital liquidity, we decided to pursue strategic alternatives with respect to ResCap. These alternatives being considered include one or more sales, spin-offs, or other potential transactions. The timing and form of execution of any such transactions will depend on market conditions.

Coincident with this announcement, ResCap announced in 2009 its decision to commit to a plan to sell its U.K. and continental Europe platforms. On April 12, 2010, we reached agreements to sell our mortgage assets and businesses in the United Kingdom and continental Europe. We classified the U.K. and continental Europe operations as held-for-sale during the three months ended December 31, 2009. Refer to Note 2 for additional information.

In the future, Ally and ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include Ally providing or declining to provide additional liquidity and capital support for ResCap;

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

refinancing or restructuring some or all of ResCap s existing debt; the purchase or sale of ResCap debt securities in the public or private markets for cash or other consideration; entering into derivative or other hedging or similar transactions with respect to ResCap or its debt securities; Ally purchasing assets from ResCap; or undertaking corporate transactions such as a tender offer or exchange offer for some or all of ResCap s outstanding debt securities, a merger, sale, asset sales, consolidation, spin-off, distribution, or other business combination or reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, Ally and ResCap typically consider a number of factors to the extent applicable and appropriate including, without limitation, the financial condition, results of operations, and prospects of Ally and ResCap; ResCap s ability to obtain third-party financing; tax considerations; the current and anticipated future trading price levels of ResCap s debt instruments; conditions in the mortgage banking industry and general economic conditions; other investment and business opportunities available to Ally and/or ResCap; and any nonpublic information that ResCap may possess or that Ally receives from ResCap.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support, and there can be no assurance that Ally or its affiliates will continue such actions or that Ally will be successful in executing one or more sales, spin-offs, or other potential transactions with respect to ResCap.

Although our continued actions through various funding and capital initiatives demonstrate support for ResCap, there are currently no commitments or assurances for future funding and/or capital support. Consequently, there remains substantial doubt about ResCap s ability to continue as a going concern. Should we no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap s business, results of operations, and financial position.

Ally has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. As of June 30, 2010, we had approximately $2.2 billion in secured financing arrangements with ResCap of which approximately $1.4 billion in loans was utilized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap s repayments of its financing facilities, including those with us, could be slower. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap s obligations to us. It is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. In addition, should ResCap file for bankruptcy, our $793 million investment related to ResCap s equity position would likely be reduced to zero. If a ResCap bankruptcy were to occur and a substantial amount of our credit exposure is not repaid to us, it would have an adverse impact on our near-term net income and capital position, but we do not believe it would have a materially adverse impact on Ally s consolidated financial position over the longer term.

### Corporate Conversion

Effective June 30, 2009, we converted (the Conversion) from a Delaware limited liability company to a Delaware corporation pursuant to Section 18-216 of the Delaware Limited Liability Company Act and Section 265 of the Delaware General Corporation Law. In connection with the Conversion, each unit of each class of common and preferred membership interests issued and outstanding immediately prior to the Conversion was converted into shares of capital stock with substantially the same rights and preferences as such membership interests. Refer to Note 16 for additional information regarding the tax impact of the conversion.

### Recently Adopted Accounting Standards

***Accounting for Transfers of Financial Assets (ASU 2009-16)***

As of January 1, 2010, we adopted ASU 2009-16 (formerly SFAS No. 166), which amended Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing.* This standard removed the concept of a qualifying special-purpose entity (QSPE) and created more stringent conditions for reporting a sale when a portion of a financial asset is transferred. To determine if a transfer is to be accounted for as a sale, the transferor must assess whether the transferor and all of the entities included in the transferor s consolidated financial statements surrendered control of the assets. For partial asset transfers, the transferred portion must represent a pro rata component of the entire asset with no form of subordination. This standard is applied prospectively for transfers that occur on or after the effective date; however, the elimination of the QSPE concept required us to retrospectively assess all current off-balance sheet QSPE structures for consolidation under ASC Topic 810,

11

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

*Consolidation,* and record a cumulative-effect adjustment to retained earnings for any consolidation change. Retrospective application of ASU 2009-16, specifically the QSPE removal, was assessed as part of the analysis required by ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to the section below for further information related to ASU 2009-17.

***Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17)***

As of January 1, 2010, we adopted ASU 2009-17 (formerly SFAS No. 167), which amended ASC Topic 810, *Consolidation*. This standard addresses the primary beneficiary assessment criteria for determining whether an entity is required to consolidate a variable interest entity (VIE). This standard requires an entity to determine whether it is the primary beneficiary by performing a qualitative assessment rather than using the quantitative-based model that was required under the previous accounting guidance. The qualitative assessment consists of determining whether the entity has both the power to direct the activities that most significantly impact the VIE s economic performance and the right to receive benefits or obligation to absorb losses that could potentially be significant to the VIE. As a result of the implementation of ASU 2009-16 and ASU 2009-17, several of our securitization structures previously held off-balance sheet were recognized as consolidated entities resulting in a day-one increase of $17.6 billion to assets and liabilities on our Consolidated Balance Sheet ($10.1 billion of the increase related to operations classified as held-for-sale). As part of the day-one entry, there was an immaterial adjustment to our opening equity balance.

***Expanded Disclosures about Fair Value Measurements (ASU 2010-06)***

As of March 31, 2010, we adopted the majority of ASU 2010-06, which amends ASC Topic 820, *Fair Value Measurements.* The ASU requires fair value disclosures for each asset and liability class, disclosures related to inputs and valuation methods for measurements that use Level 2 or Level 3 inputs, disclosures of significant transfers between Levels 1 and 2, and the gross presentation of significant transfers into or out of Level 3 within the Level 3 rollforward. The ASU also requires the gross presentation of purchases, sales, issuances, and settlements within the Level 3 rollforward; however, this specific requirement will be effective for us during the three months ended March 31, 2011. The disclosure requirement by class is a higher level of disaggregation compared to the previous requirement, which was based on the major asset or liability category. While the adoption of ASU 2010-06 expanded our disclosures related to fair value measurements, it did not modify the accounting treatment or measurement of items at fair value and, as such, did not have a material impact on our financial statements.

### Recently Issued Accounting Standards

***Revenue Arrangements with Multiple Deliverables (ASU 2009-13)***

In October 2009, the Financial Accounting Standards Board (FASB) issued ASU 2009-13, which amends ASC Topic 605, *Revenue Recognition*. The guidance significantly changes the accounting for revenue recognition in arrangements with multiple deliverables and eliminates the residual method, which allocated the discount of a multiple deliverable arrangement among the delivered items. Under the guidance, entities will be required to allocate the total consideration to all deliverables at inception using the relative selling price and to allocate any discount in the arrangement proportionally to each deliverable based on each deliverable s selling price. ASU 2009-13 is effective for revenue arrangements that we enter into or materially modify on or after January 1, 2011. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operation.

***Derivatives and Hedging Scope Exception Related to Embedded Credit Derivatives (ASU 2010-11)***

In March 2010, the FASB issued ASU 2010-11, which clarifies that the transfer of credit risk that is only in the form of subordination of one financial instrument to another financial instrument (such as the subordination of one beneficial interest to another tranche of a securitization) is an embedded derivative feature. The embedded derivative feature should not be subject to potential bifurcation or separate accounting under ASC 815, *Derivatives and Hedging*. In addition, the ASU provides guidance on whether other embedded credit derivatives in financial instruments are subject to bifurcation and separate accounting. ASU 2010-11 will be effective for us on July 1, 2010, and we do not expect the adoption to have a material impact on our consolidated financial condition or results of operation.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

***Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20)***

In July 2010, the FASB issued ASU 2010-20, which requires expanded disclosures related to the credit quality of finance receivables and loans. This disclosure will be effective for us during the December 31, 2010, reporting period. The ASU also requires a rollforward of the allowance for loan losses for each reporting period, which will be effective for us during the March 31, 2011, reporting period. Since the guidance relates only to disclosures, adoption will not have a material effect on our consolidated financial condition or results of operation.

### 2. Discontinued and Held-for-sale Operations

**Discontinued Operations**

During 2009, we committed to sell certain operations of ResCap s International Business Group (IBG). These operations include residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the United Kingdom and continental Europe (the Netherlands and Germany). During the three months ended June 30, 2010, we classified the U.K. operations as discontinued. The continental Europe operations met the discontinued operations criteria during the three months ended December 31, 2009. We expect to complete the sale of these operations during 2010.

During 2009, we committed to sell the U.S. consumer property and casualty insurance business of our Insurance operations. These operations provided vehicle and home insurance in the United States through a number of distribution channels including independent agents, affinity groups, and the internet. The sale of our U.S. consumer property and casualty insurance business was completed during the first quarter of 2010. Additionally, during 2009, we committed to sell the U.K. consumer property and casualty insurance business. We expect to complete the sale during 2010.

During the three months ended June 30, 2010, we ceased to operate at our International Automotive Finance operations in Australia and Russia and classified them as discontinued.

During 2009, we committed to sell certain operations of our International Automotive Finance operations including our Argentina, Poland, and Ecuador operations and our Masterlease operations in Australia, Belgium, France, Italy, Mexico, the Netherlands, Poland, and the United Kingdom. Our Masterlease operations provide full-service individual leasing and fleet leasing products including maintenance, fleet, and accident management services as well as fuel programs, short-term vehicle rental, and title and licensing services. As of December 31, 2009, the sales of the Masterlease operations in Italy, Mexico, and the Netherlands were completed. During the three months ended June 30, 2010, we completed the sale of our Poland operations and our Masterlease operations in Australia, Poland, Belgium, and France. In July 2010, we completed the sale of our Argentina operations. We expect to complete the sale of our Ecuador operations and Masterlease operations in the United Kingdom during 2010.

During 2009, we committed to sell the North American-based factoring business of our Commercial Finance Group. On April 30, 2010, the sale of the North American-based factoring business was completed.

We classified these operations as discontinued operations using generally accepted accounting principles in the United States of America, as the associated operations and cash flows will be eliminated from our ongoing operations and we will not have any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, all of the operating results for these operations were removed from continuing operations and are presented separately as discontinued operations, net of tax. The Notes to the Consolidated Financial Statements were adjusted to exclude discontinued operations unless otherwise noted.

The pretax income or loss recognized through June 30, 2010, for the discontinued operations, including the direct costs to transact a sale, could differ from the ultimate sales price due to the fluidity of ongoing negotiations, price volatility, changing interest rates, changing foreign currency rates, and future economic conditions.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Selected financial information of discontinued operations is summarized below.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **2010** | 2009 |
| Select Mortgage operations | | | | |
| Total net revenue (loss) | **$ 16** | $ (576) | **$ 44** | $ (586) |
| Pretax income (loss) including direct costs to transact a sale | **89** | (638) | **102** | (770) |
| Tax (benefit) expense | **(9)** | 1 | **(8)** | |
| Select Insurance operations | | | | |
| Total net revenue | **$ 61** | $ 352 | **$ 300** | $ 754 |
| Pretax (loss) including direct costs to transact a sale (a) | **(6)** | (575) | **(6)** | (552) |
| Tax (benefit) expense | **(5)** | 11 | **(1)** | 14 |
| Select International operations | | | | |
| Total net revenue | **$ 36** | $ 87 | **$ 73** | $ 162 |
| Pretax income including direct costs to transact a sale (a) | **48** | 7 | **58** | 2 |
| Tax (benefit) expense | **(6)** | 4 | **1** | 4 |
| Select Commercial Finance operations | | | | |
| Total net revenue | **$ 3** | $ 8 | **$ 11** | $ 15 |
| Pretax (loss) income including direct costs to transact a sale (a) | **(3)** | (2) | **7** | (8) |
| Tax (benefit) | **(4)** | | | |

(a) Includes certain income tax activity recognized by our Corporate and Other operations.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Held-for-sale Operations**

All of our discontinued operations were classified as held-for-sale except for our International Automotive Finance operations in Australia and Russia. During the three months ended June 30, 2010, we also classified certain international insurance operations that are part of our Insurance operations as held-for-sale. Since these operations did not qualify as discontinued operations, the results are reflected as a component of continuing operations. No impairment was recognized to present these held-for-sale operations at the lower of cost or fair value less costs to sell. We expect to complete the sale of these insurance operations within the next twelve months. The assets and liabilities held-for-sale at June 30, 2010, are summarized below.

| *($ in millions)* | Select Mortgage operations (a) | Select Insurance operations (b) | Select International operations (c) | Total held-for-sale operations |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | | | | |
| Noninterest bearing | $ 63 | $ 14 | $ 49 | $ 126 |
| Interest bearing | 339 | 3 | 5 | 347 |
| Total cash and cash equivalents | 402 | 17 | 54 | 473 |
| Investment securities available-for-sale | | 466 | | 466 |
| Loans held-for-sale | 180 | | | 180 |
| Finance receivables and loans, net of unearned income | | | | |
| Consumer ($8,398 fair value elected) | 10,399 | | 303 | 10,702 |
| Allowance for loan losses | (17) | | (3) | (20) |
| Total finance receivables and loans, net | 10,382 | | 300 | 10,682 |
| Investment in operating leases, net | | | 369 | 369 |
| Premiums receivable and other insurance assets | | 154 | | 154 |
| Other assets | 512 | 135 | 43 | 690 |
| Impairment on assets of held-for-sale operations | (606) | (210) | (159) | (975) |
| Total assets | $ 10,870 | $ 562 | $ 607 | $ 12,039 |
| **Liabilities** | | | | |
| Debt | | | | |
| Short-term borrowings | $ | $ | $ 38 | $ 38 |
| Long-term debt ($7,857 fair value elected) | 9,575 | | 169 | 9,744 |
| Total debt | 9,575 | | 207 | 9,782 |
| Interest payable | | | 2 | 2 |
| Unearned insurance premiums and service revenue | | 140 | | 140 |
| Reserves for insurance losses and loss adjustment expenses | | 358 | | 358 |
| Accrued expenses and other liabilities | 964 | 31 | 60 | 1,055 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total liabilities | **$** | **10,539** | **$** | **529** | **$** | **269** | **$** | **11,337** |

(a) Includes operations of ResCap s International Business Group in continental Europe and in the United Kingdom. Balances include assets and liabilities that were consolidated beginning on January 1, 2010, due to the adoption of ASU 2009-16 and ASU 2009-17. Refer to Note 1 for additional information.
(b) Includes the U.K. consumer property and casualty insurance business and certain international insurance operations.
(c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Masterlease in the United Kingdom.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The assets and liabilities of held-for-sale operations at December 31, 2009, are summarized below.

| ($ in millions) | Select Mortgage operations (a) | Select Insurance operations (b) | Select International operations (c) | Select Commercial Finance Group operations (d) | Total held-for-sale operations |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | | | | | |
| Noninterest bearing | $ 4 | $ 578 | $ 33 | $ | $ 615 |
| Interest bearing | 151 | | 11 | | 162 |
| Total cash and cash equivalents | 155 | 578 | 44 | | 777 |
| Trading securities | 36 | | | | 36 |
| Investment securities available-for-sale | | 794 | | | 794 |
| Loans held-for-sale | 214 | | | | 214 |
| Finance receivables and loans, net of unearned income | | | | | |
| Consumer | 2,650 | | 400 | | 3,050 |
| Commercial | | | 246 | 233 | 479 |
| Notes receivable from General Motors | | | 14 | | 14 |
| Allowance for loan losses | (89) | | (11) | | (100) |
| Total finance receivables and loans, net | 2,561 | | 649 | 233 | 3,443 |
| Investment in operating leases, net | | | 885 | | 885 |
| Mortgage servicing rights | (26) | | | | (26) |
| Premiums receivable and other insurance assets | | 1,126 | | | 1,126 |
| Other assets | 512 | 176 | 135 | | 823 |
| Impairment on assets of held-for-sale operations | (903) | (231) | (324) | (30) | (1,488) |
| Total assets | $ 2,549 | $ 2,443 | $ 1,389 | $ 203 | $ 6,584 |
| **Liabilities** | | | | | |
| Debt | | | | | |
| Short-term borrowings | $ | $ 34 | $ 57 | $ | $ 91 |
| Long-term debt | 1,749 | | 237 | | 1,986 |
| Total debt | 1,749 | 34 | 294 | | 2,077 |
| Interest payable | 3 | | 1 | | 4 |
| Unearned insurance premiums and service revenue | | 517 | | | 517 |
| Reserves for insurance losses and loss adjustment expenses | | 1,471 | | | 1,471 |

| | | | | | |
|---|---|---|---|---|---|
| Accrued expenses and other liabilities | 430 | 84 | 128 | 187 | 829 |
| Total liabilities | $ 2,182 | $ 2,106 | $ 423 | $ 187 | $ 4,898 |

(a) Includes the operations of ResCap s International Business Group in continental Europe and in the United Kingdom.
(b) Includes the U.S. and U.K. consumer property and casualty insurance businesses.
(c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Poland and Masterlease in Australia, Belgium, France, Poland, and the United Kingdom.
(d) Includes the North American-based factoring business of our Commercial Finance Group.

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

***Recurring Fair Value***

The following tables display the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis including financial instruments where we elected the fair value option. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities. Refer to Note 18 for descriptions of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

| | **Recurring fair value measurements** | | | |
|---|---|---|---|---|
| June 30, 2010 *($ in millions)* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| Foreign government | **$ 323** | **$** | **$** | **$ 323** |
| Other | | **143** | | **143** |
| Total debt securities | **323** | **143** | | **466** |
| Consumer mortgage finance receivables and loans, net of unearned income (a) | | | **8,398** | **8,398** |
| Other assets | | | | |
| Fair value of derivative contracts in receivable position | | | | |
| Interest rate contracts | | **7** | | **7** |
| Foreign currency contracts | | **49** | | **49** |
| Total fair value of derivative contracts in receivable position | | **56** | | **56** |
| Total assets | **$ 323** | **$ 199** | **$ 8,398** | **$ 8,920** |
| **Liabilities** | | | | |
| Secured debt | | | | |
| On-balance sheet securitization debt (a) | **$** | **$** | **$ (7,857)** | **$ (7,857)** |
| Accrued expenses and other liabilities | | | | |
| Fair value of derivative contracts in liability position | | | | |
| Interest rate contracts | | **(774)** | | **(774)** |
| Total liabilities | **$** | **$ (774)** | **$ (7,857)** | **$ (8,631)** |

(a) Carried at fair value due to fair value option elections.

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | Recurring fair value measurements | | | |
|---|---|---|---|---|
| December 31, 2009 *($ in millions)* | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Trading securities | | | | |
| Mortgage-backed | | | | |
| Residential | $ | $ | $ 36 | $ 36 |
| Total trading securities | | | 36 | 36 |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| U.S. Treasury and federal agencies | 243 | 2 | | 245 |
| States and political subdivisions | | 24 | | 24 |
| Foreign government | 329 | | | 329 |
| Corporate debt securities | | 7 | | 7 |
| Other | | 189 | | 189 |
| Total debt securities | 572 | 222 | | 794 |
| Mortgage servicing rights | | | (26) | (26) |
| Other assets | | | | |
| Interests retained in financial asset sales | | | 153 | 153 |
| Fair value of derivative contracts in receivable position | | | | |
| Interest rate contracts | | 60 | | 60 |
| Total assets | $ 572 | $ 282 | $ 163 | $ 1,017 |
| **Liabilities** | | | | |
| Accrued expenses and other liabilities | | | | |
| Fair value of derivative contracts in liability position | | | | |
| Interest rate contracts | $ | $ (40) | $ | $ (40) |
| Total liabilities | $ | $ (40) | $ | $ (40) |

The following tables present the reconciliation for all Level 3 assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

| | **Level 3 recurring fair value measurements** | | | | |
|---|---|---|---|---|---|
| *($ in millions)* | **Fair value as of April 1, 2010** | **Net realized/unrealized gains included in earnings (a)** | **Purchases, issuances, and settlements, net** | **Fair value as of June 30, 2010** | **Net unrealized gains included in earnings** |

| | | | | | still held as of June 30, 2010 (a) |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Consumer mortgage finance receivables and loans, net of unearned income (b) | **$ 9,180** | **$ 201** | **$ (983)** | **$ 8,398** | **$ 71** |
| Total assets | **$ 9,180** | **$ 201** | **$ (983)** | **$ 8,398** | **$ 71** |
| **Liabilities** | | | | | |
| Secured debt | | | | | |
| On-balance sheet securitization debt (b) | **$ (8,822)** | **$ 59** | **$ 906** | **$ (7,857)** | **$ 85** |
| Total liabilities | **$ (8,822)** | **$ 59** | **$ 906** | **$ (7,857)** | **$ 85** |

(a) Reported as income (loss) from discontinued operations, net of tax, in the Consolidated Statement of Income.
(b) Carried at fair value due to fair value option elections.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | Level 3 recurring fair value measurements | | | | |
|---|---|---|---|---|---|
| *($ in millions)* | Fair value as of January 1, 2010 | Net realized/unrealized gains included in earnings (a) | Purchases, issuances, and settlements, net | Fair value as of June 30, 2010 | Net unrealized gains included in earnings still held as of June 30, 2010 (a) |
| **Assets** | | | | | |
| Trading securities | | | | | |
| Mortgage-backed | | | | | |
| Residential | $ 36 | $ | $ (36) | $ | $ |
| Total trading securities | 36 | | (36) | | |
| Consumer mortgage finance receivables and loans, net of unearned income (b) | | 415 | 7,983 | 8,398 | 149 |
| Mortgage servicing rights | (26) | | 26 | | |
| Other assets | | | | | |
| Interests retained in financial asset sales | 153 | | (153) | | |
| Total assets | $ 163 | $ 415 | $ 7,820 | $ 8,398 | $ 149 |
| **Liabilities** | | | | | |
| Secured debt | | | | | |
| On-balance sheet securitization debt (b) | $ | $ 197 | $ (8,054) | $ (7,857) | $ 255 |
| Total liabilities | $ | $ 197 | $ (8,054) | $ (7,857) | $ 255 |

(a) Reported as income (loss) from discontinued operations, net of tax, in the Consolidated Statement of Income.
(b) Carried at fair value due to fair value option elections.

### 3. Other Income, Net of Losses

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **2010** | 2009 |
| Mortgage processing fees and other mortgage income | **$ 41** | $ 9 | **$ 94** | $ 15 |

| | | | | |
|---|---|---|---|---|
| Remarketing fees | **36** | 38 | **67** | 71 |
| Late charges and other administrative fees (a) | **35** | 33 | **72** | 72 |
| Full-service leasing fees | **13** | 33 | **41** | 64 |
| Other equity method investments | **13** | 4 | **25** | 8 |
| Real estate services, net | **2** | (224) | **9** | (258) |
| Fair value adjustment on certain derivatives (b) | **(2)** | 96 | **(58)** | (61) |
| Change due to fair value option elections, net (c) | **(56)** | (63) | **(129)** | (93) |
| Other, net | **108** | (39) | **154** | (141) |
| Total other income, net of losses | **$ 190** | $ (113) | **$ 275** | $ (323) |

(a) Includes nonmortgage securitization fees.
(b) Refer to Note 15 for a description of derivative instruments and hedging activities.
(c) Refer to Note 18 for a description of fair value option elections.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 4. Other Operating Expenses

Details of other operating expenses were as follows.

| ($ in millions) | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|
| Insurance commissions | **$ 150** | $ 155 | **$ 296** | $ 314 |
| Technology and communications expense | **134** | 152 | **273** | 301 |
| Mortgage representation and warranty expense, net | **97** | 237 | **146** | 410 |
| Professional services | **63** | 119 | **120** | 205 |
| Advertising and marketing | **50** | 36 | **74** | 74 |
| Vehicle remarketing and repossession | **48** | 57 | **102** | 105 |
| State and local non-income taxes | **36** | 36 | **61** | 55 |
| Lease and loan administration | **35** | 43 | **66** | 81 |
| Rent and storage | **26** | 23 | **51** | 51 |
| Regulatory and licensing fees | **25** | 29 | **55** | 49 |
| Premises and equipment depreciation | **20** | 20 | **38** | 44 |
| Restructuring expenses | **14** | | **56** | |
| Full-service leasing vehicle maintenance costs | **6** | 32 | **36** | 65 |
| Other | **118** | 137 | **337** | 327 |
| Total other operating expenses | **$ 822** | $ 1,076 | **$ 1,711** | $ 2,081 |

### 5. Trading Securities

The fair value for our portfolio of trading securities by type was as follows.

| ($ in millions) | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Trading securities | | |
| U.S. Treasury | **$ 75** | $ |
| Mortgage-backed | | |
| Residential | **47** | 143 |
| Asset-backed | **87** | 596 |
| Total trading securities | **$ 209** | $ 739 |

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 6. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, notes, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale and held-to-maturity securities were as follows.

| | **June 30, 2010** | | | | December 31, 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Gross unrealized** | | **Fair** | | Gross unrealized | | Fair |
| *($ in millions)* | **Cost** | **gains** | **losses** | **value** | Cost | gains | losses | value |
| **Available-for-sale securities** | | | | | | | | |
| Debt securities | | | | | | | | |
| U.S. Treasury and federal agencies | **$ 3,982** | **$ 51** | **$** | **$ 4,033** | $ 3,501 | $ 15 | $ (6) | $ 3,510 |
| States and political subdivisions | **7** | | | **7** | 779 | 36 | (4) | 811 |
| Foreign government | **1,195** | **32** | **(2)** | **1,225** | 1,161 | 20 | (8) | 1,173 |
| Mortgage-backed | | | | | | | | |
| Residential (a) | **3,451** | **69** | **(22)** | **3,498** | 3,404 | 76 | (19) | 3,461 |
| Asset-backed | **1,686** | **15** | **(1)** | **1,700** | 1,000 | 7 | (2) | 1,005 |
| Corporate debt | **1,252** | **52** | **(2)** | **1,302** | 1,408 | 74 | (9) | 1,473 |
| Other | **1** | | | **1** | 47 | | | 47 |
| Total debt securities (b) | **11,574** | **219** | **(27)** | **11,766** | 11,300 | 228 | (48) | 11,480 |
| Equity securities | **1,066** | **1** | **(123)** | **944** | 631 | 52 | (8) | 675 |
| Total available-for-sale securities (c) | **$ 12,640** | **$ 220** | **$ (150)** | **$ 12,710** | $ 11,931 | $ 280 | $ (56) | $ 12,155 |
| **Held-to-maturity securities** | | | | | | | | |
| Total held-to-maturity securities | **$** | **$** | **$** | **$** | $ 3 | $ | $ | $ 3 |

(a) Residential mortgage-backed securities include agency-backed bonds totaling $2,271 million and $2,248 million at June 30, 2010, and December 31, 2009, respectively.

(b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, $153 million and $164 million of primarily U.K. Treasury securities were pledged as collateral as of June 30, 2010, and December 31, 2009, respectively.

(c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $16 million and $15 million at June 30, 2010, and December 31, 2009, respectively.

The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

| | **Total** | | **Due in one year or less** | | **Due after one year through five years** | | **Due after five years through ten years** | | **Due after ten years (a)** | |
|---|---|---|---|---|---|---|---|---|---|---|
| June 30, 2010 *($ in millions)* | **Amount** | **Yield** | **Amount** | **Yield** | **Amount** | **Yield** | **Amount** | **Yield** | **Amount** | **Yield** |
| Fair value of available-for-sale debt securities (b) | | | | | | | | | | |
| U.S. Treasury and federal agencies | **$ 4,033** | **1.5%** | **$ 172** | **0.8%** | **$ 3,800** | **1.5%** | **$ 61** | **3.3%** | **$** | **%** |
| States and political subdivisions | **7** | **5.9** | | | **3** | **6.2** | | | **4** | **5.7** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Foreign government | **1,225** | **3.9** | **87** | **0.5** | **925** | **4.2** | **213** | **4.4** | | |
| Mortgage-backed | | | | | | | | | | |
| Residential | **3,498** | **4.3** | | | **8** | **5.3** | **64** | **4.5** | **3,426** | **4.3** |
| Asset-backed | **1,700** | **2.5** | **21** | **4.7** | **1,197** | **2.4** | **360** | **2.7** | **122** | **3.4** |
| Corporate debt | **1,302** | **5.3** | **91** | **5.9** | **622** | **5.0** | **542** | **5.5** | **47** | **5.8** |
| Other | **1** | | | | | | | | **1** | |
| Total available-for-sale debt securities | **$ 11,766** | **3.2%** | **$ 371** | **2.2%** | **$ 6,555** | **2.4%** | **$ 1,240** | **4.3%** | **$ 3,600** | **4.2%** |
| Amortized cost of available-for-sale debt securities | **$ 11,574** | | **$ 370** | | **$ 6,455** | | **$ 1,199** | | **$ 3,550** | |

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

**Table of Contents**

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| December 31, 2009 *($ in millions)* | Total Amount | Total Yield | Due in one year or less Amount | Due in one year or less Yield | Due after one year through five years Amount | Due after one year through five years Yield | Due after five years through ten years Amount | Due after five years through ten years Yield | Due after ten years (a) Amount | Due after ten years (a) Yield |
|---|---|---|---|---|---|---|---|---|---|---|
| Fair value of available-for-sale debt securities (b) | | | | | | | | | | |
| U.S. Treasury and federal agencies | $ 3,510 | 1.9% | $ 103 | 1.1% | $ 3,390 | 1.9% | $ 17 | 4.1% | $ | % |
| States and political subdivisions | 811 | 7.0 | 9 | 7.0 | 175 | 7.2 | 147 | 7.0 | 480 | 6.9 |
| Foreign government | 1,173 | 3.8 | 66 | 1.7 | 872 | 3.8 | 229 | 4.5 | 6 | 5.3 |
| Mortgage-backed | | | | | | | | | | |
| Residential | 3,461 | 6.5 | | | 2 | 6.5 | 36 | 13.0 | 3,423 | 6.4 |
| Asset-backed | 1,005 | 2.5 | 34 | 5.2 | 735 | 2.3 | 186 | 2.6 | 50 | 3.9 |
| Corporate debt | 1,473 | 5.2 | 283 | 3.4 | 575 | 5.8 | 570 | 5.4 | 45 | 6.9 |
| Other | 47 | 3.6 | | | 32 | 3.4 | 15 | 4.0 | | |
| Total available-for-sale debt securities | $ 11,480 | 4.3% | $ 495 | 2.8% | $ 5,781 | 2.8% | $ 1,200 | 5.2% | $ 4,004 | 6.5% |
| Amortized cost of available-for-sale debt securities | $ 11,300 | | $ 473 | | $ 5,728 | | $ 1,169 | | $ 3,930 | |

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

Certain investment securities with an original maturity of 90 days or less are classified as cash equivalents and are composed primarily of money market accounts and short-term securities. The carrying value of cash equivalents approximates fair value. The balance of cash equivalents was $934 million and $1.8 billion at June 30, 2010, and December 31, 2009, respectively.

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

| *($ in millions)* | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|
| Gross realized gains | **$ 125** | $ 91 | **$ 277** | $ 140 |
| Gross realized losses | **(13)** | (34) | **(21)** | (63) |
| Other-than-temporary impairment | **(1)** | (1) | **(1)** | (47) |
| Net realized gains | **$ 111** | $ 56 | **$ 255** | $ 30 |

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

| *($ in millions)* | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|
| Taxable interest | **$ 84** | $ 45 | **$ 173** | $ 93 |

| | | | | |
|---|---|---|---|---|
| Taxable dividends | **4** | 3 | **8** | 3 |
| Interest and dividends exempt from U.S. federal income tax | **3** | 7 | **10** | 17 |
| Total interest and dividends | **$ 91** | $ 55 | **$ 191** | $ 113 |

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of June 30, 2010, we do not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of June 30, 2010, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired as of June 30, 2010.

| ($ in millions) | **June 30, 2010** Less than 12 months Fair value | Unrealized loss | 12 months or longer Fair value | Unrealized loss | December 31, 2009 Less than 12 months Fair value | Unrealized loss | 12 months or longer Fair value | Unrealized loss |
|---|---|---|---|---|---|---|---|---|
| **Available-for-sale securities** | | | | | | | | |
| Debt securities | | | | | | | | |
| U.S. Treasury and federal agencies | **$ 3** | **$** | **$** | **$** | $ 1,430 | $ (6) | $ | $ |
| States and political subdivisions | | | | | 82 | (2) | 8 | (2) |
| Foreign government securities | **96** | **(2)** | | | 536 | (8) | | |
| Mortgage-backed securities | **637** | **(20)** | **10** | **(2)** | 811 | (14) | 6 | (5) |
| Asset-backed securities | **77** | **(1)** | **8** | | 202 | (1) | 22 | (1) |
| Corporate debt securities | **64** | **(1)** | **20** | **(1)** | 47 | (1) | 120 | (8) |
| Other | | | | | 7 | | | |
| Total temporarily impaired debt securities | **877** | **(24)** | **38** | **(3)** | 3,115 | (32) | 156 | (16) |
| Temporarily impaired equity securities | **882** | **(123)** | | | 115 | (5) | 52 | (3) |
| Total temporarily impaired available-for-sale securities | **$ 1,759** | **$ (147)** | **$ 38** | **$ (3)** | $ 3,230 | $ (37) | $ 208 | $ (19) |

We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value, the financial health of and business outlook for the issuer, changes to the rating of the security by a rating agency, the performance of the underlying assets for interests in securitized assets, whether we intend to sell the investment, and whether it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis. We had other-than-temporary impairment write-downs of $1 million for both the three months and six months ended June 30, 2010, compared to $1 million and $47 million for the three months and six months ended June 30, 2009, respectively. The $1 million impairment for the three months ended June 30, 2010, related to corporate debt securities that we have the intent to sell and was accordingly recognized in earnings.

## 7. Loans Held-for-sale

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

| ($ in millions) | **June 30, 2010** Domestic | **Foreign** | **Total** | December 31, 2009 Domestic | Foreign | Total |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Consumer | | | | | | |
| Automobile | **$ 1,298** | **$ 167** | **$ 1,465** | $ 9,417 | $ 184 | $ 9,601 |
| 1st Mortgage | **7,771** | **152** | **7,923** | 9,269 | 530 | 9,799 |
| Home equity | **989** | | **989** | 1,068 | | 1,068 |
| Total consumer (a) | **10,058** | **319** | **10,377** | 19,754 | 714 | 20,468 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Other | | **5** | **5** | | 157 | 157 |
| Total loans held-for-sale | **$ 10,058** | **$ 324** | **$ 10,382** | $ 19,754 | $ 871 | $ 20,625 |

(a) Domestic residential mortgages include $4.2 billion and $5.5 billion at fair value as a result of fair value option elections as of June 30, 2010, and December 31, 2009, respectively. Refer to Note 18 for additional information.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 8. Finance Receivables and Loans, Net of Unearned Income

The composition of finance receivables and loans, net of unearned income outstanding, before allowance for loan losses, was as follows.

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **Domestic** | **Foreign** | **Total** | Domestic | Foreign | Total |
| Consumer | | | | | | |
| Automobile | **$ 26,450** | **$ 15,265** | **$ 41,715** | $ 12,514 | $ 17,731 | $ 30,245 |
| 1st Mortgage | **8,435** | **939** | **9,374** | 7,960 | 405 | 8,365 |
| Home equity | **4,257** | | **4,257** | 4,238 | 1 | 4,239 |
| Total consumer (a) | **39,142** | **16,204** | **55,346** | 24,712 | 18,137 | 42,849 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Automobile | **21,776** | **8,107** | **29,883** | 19,601 | 7,035 | 26,636 |
| Mortgage | **1,803** | **75** | **1,878** | 1,572 | 96 | 1,668 |
| Resort finance | **644** | | **644** | 843 | | 843 |
| Other | **1,778** | **401** | **2,179** | 1,845 | 437 | 2,282 |
| Commercial real estate | | | | | | |
| Automobile | **2,090** | **208** | **2,298** | 2,008 | 221 | 2,229 |
| Mortgage | **5** | **118** | **123** | 121 | 162 | 283 |
| Total commercial | **28,096** | **8,909** | **37,005** | 25,990 | 7,951 | 33,941 |
| Notes receivable from General Motors | | **365** | **365** | 3 | 908 | 911 |
| Total finance receivables and loans (b) | **$ 67,238** | **$ 25,478** | **$ 92,716** | $ 50,705 | $ 26,996 | $ 77,701 |

(a) Residential mortgages include $2.3 billion and $1.3 billion at fair value as a result of fair value option elections as of June 30, 2010, and December 31, 2009, respectively. Refer to Note 18 for additional information.

(b) Totals are net of unearned income of $2.6 billion and $2.5 billion at June 30, 2010, and December 31, 2009, respectively.

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

| | Three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | | 2009 | | |
| *($ in millions)* | **Consumer** | **Commercial** | **Total** | Consumer | Commercial | Total |
| Allowance at April 1, | **$ 1,754** | **$ 726** | **$ 2,480** | $ 2,758 | $ 887 | $ 3,645 |
| Provision for loan losses | **216** | **4** | **220** | 729 | 388 | 1,117 |
| Charge-offs | | | | | | |
| Domestic | **(228)** | **(91)** | **(319)** | (835) | (305) | (1,140) |
| Foreign | **(50)** | **(49)** | **(99)** | (549) | (9) | (558) |
| Total charge-offs | **(278)** | **(140)** | **(418)** | (1,384) | (314) | (1,698) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Recoveries | | | | | | |
| Domestic | **78** | **5** | **83** | 59 | 4 | 63 |
| Foreign | **19** | **9** | **28** | 15 | | 15 |
| Total recoveries | **97** | **14** | **111** | 74 | 4 | 78 |
| Net charge-offs | **(181)** | **(126)** | **(307)** | (1,310) | (310) | (1,620) |
| Other | **(10)** | **(6)** | **(16)** | 130 | 29 | 159 |
| Allowance at June 30, | **$ 1,779** | **$ 598** | **$ 2,377** | $ 2,307 | $ 994 | $ 3,301 |

**Table of Contents**

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | Six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | | 2009 | | |
| *($ in millions)* | **Consumer** | **Commercial** | **Total** | Consumer | Commercial | Total |
| Allowance at January 1, | **$ 1,664** | **$ 781** | **$ 2,445** | $ 2,536 | $ 897 | $ 3,433 |
| Provision for loan losses | **344** | **22** | **366** | 1,294 | 569 | 1,863 |
| Charge-offs | | | | | | |
| Domestic | **(546)** | **(152)** | **(698)** | (1,240) | (473) | (1,713) |
| Foreign | **(111)** | **(53)** | **(164)** | (615) | (18) | (633) |
| Total charge-offs | **(657)** | **(205)** | **(862)** | (1,855) | (491) | (2,346) |
| Recoveries | | | | | | |
| Domestic | **185** | **9** | **194** | 110 | 7 | 117 |
| Foreign | **36** | **9** | **45** | 29 | 1 | 30 |
| Total recoveries | **221** | **18** | **239** | 139 | 8 | 147 |
| Net charge-offs | **(436)** | **(187)** | **(623)** | (1,716) | (483) | (2,199) |
| Addition of allowance due to change in accounting principle (a) | **222** | | **222** | | | |
| Other | **(15)** | **(18)** | **(33)** | 193 | 11 | 204 |
| Allowance at June 30, | **$ 1,779** | **$ 598** | **$ 2,377** | $ 2,307 | $ 994 | $ 3,301 |

(a) Effect of change in accounting principle due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

The following tables present information about our impaired finance receivables and loans.

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **Consumer** | **Commercial** | **Total** | Consumer | Commercial | Total |
| Impaired finance receivables and loans | | | | | | |
| With an allowance | **$ 365** | **$ 1,194** | **$ 1,559** | $ 252 | $ 1,760 | $ 2,012 |
| Without an allowance | **33** | **342** | **375** | 16 | 296 | 312 |
| Total impaired loans | **$ 398** | **$ 1,536** | **$ 1,934** | $ 268 | $ 2,056 | $ 2,324 |
| Allowance for impaired loans | **$ 102** | **$ 488** | **$ 590** | $ 80 | $ 488 | $ 568 |

| | Three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | | | 2009 | | |
| *($ in millions)* | **Consumer** | **Commercial** | **Total** | Consumer | Commercial | Total |
| Average balance of impaired loans | **$ 367** | **$ 1,694** | **$ 2,061** | $ 636 | $ 2,726 | $ 3,362 |
| Interest income recognized on impaired loans | **$ 4** | **$ 2** | **$ 6** | $ 8 | $ 6 | $ 14 |

| | Six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2010** | | | 2009 | | |
| *($ in millions)* | **Consumer** | **Commercial** | **Total** | Consumer | Commercial | Total |
| Average balance of impaired loans | **$ 327** | **$ 1,817** | **$ 2,144** | $ 511 | $ 2,721 | $ 3,232 |
| Interest income recognized on impaired loans | **$ 7** | **$ 4** | **$ 11** | $ 16 | $ 20 | $ 36 |

At June 30, 2010, and December 31, 2009, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in troubled debt restructuring were $15 million and $12 million, respectively.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 9. Off-balance Sheet Securitizations

We sell pools of automotive and residential mortgage loans via securitization transactions, which provide permanent funding and facilitates asset and liability management. In executing the securitization transactions, we typically sell the pools to wholly owned special-purpose entities (SPEs), which then sell the loans to a separate, transaction-specific, bankruptcy-remote SPE (a securitization trust) for cash, servicing rights, and in some transactions, retained interests. The securitization trust issues and sells interests to investors that are collateralized by the secured loans and entitle the investors to specified cash flows generated from the securitized loans.

Our securitization transactions are accounted for under the requirements of ASC 810, *Consolidation*, and ASC 860, *Transfers and Servicing*. ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which amended ASC 810 and ASC 860, became effective on January 1, 2010, and required the prospective consolidation of certain securitization assets and liabilities that were previously held off-balance sheet. We reflected our economic interest in these newly consolidated structures primarily through loans and secured debt rather than as interests held in off-balance sheet securitization trusts. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17. Refer to Note 19 for additional information related to the consolidation of certain securitization trusts due to the adoption of the new standards.

The following discussion and related information is only applicable to the transfers of finance receivables and loans that qualify for off-balance sheet treatment.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization vehicle. The securitization vehicle is generally allowed to acquire the loans being sold to it, to issue interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the asset pool or debt securities. Additionally, the securitization vehicle is required to service the assets it holds and the debt or interest it issues. A servicer appointed within the underlying legal documents performs these functions. Servicing functions include, but are not limited to, collecting payments from borrowers, performing escrow functions, monitoring delinquencies, liquidating assets, investing funds until distribution, remitting payments to investors, and accounting for and reporting information to investors.

As part of our off-balance sheet securitizations, we typically retain servicing responsibilities and, in some cases, other insignificant retained interests. Accordingly, our servicing responsibilities result in continued involvement in the form of servicing the underlying asset (primary servicing) and/or servicing the bonds resulting from the securitization transactions (master servicing) through servicing platforms. Certain securitizations require the servicer to advance scheduled principal and interest payments due on the pool regardless of whether they are received from borrowers. Accordingly, we are required to provide these servicing advances when applicable. Typically, we conclude that the fee we are paid for servicing retail automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. Refer to Note 1 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K regarding the valuation of servicing rights.

Subsequent to the adoption of ASU 2009-16 and ASU 2009-17 as of January 1, 2010, we generally do not hold significant or potentially significant retained interests in our securitization trusts that qualify for off-balance sheet treatment under ASU 2009-17.

Generally, the assets initially transferred into the securitization vehicle are the sole funding source to the investors in the securitization trust and the various other parties that perform services for the transaction, such as the servicer or the trustee. In certain transactions, a liquidity provider or facility may exist to provide temporary liquidity to the structure. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. Bond insurance may also exist to cover certain shortfalls to certain investors. As noted above, in certain securitizations, the servicer is required to advance scheduled principal and interest payments due on the pool regardless of whether they were received from the borrowers. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain securitization transactions may allow for the acquisition of additional loans subsequent to the initial loan. Principal collections on other loans and/or the issuance of new interests, such as variable funding notes, generally fund these loans; we are often contractually required to invest in these new interests. Lastly, we provide certain guarantees as discussed in Note 30 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The investors and/or securitization trusts have no recourse to us with the exception of market customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions. Representation and warranty repurchase provisions generally require us to repurchase loans to the extent it is subsequently determined that the loans were ineligible or were otherwise defective at the time of sale. Due to market conditions, early payment default provisions are included in certain securitization transactions that require us to repurchase loans if the borrower is delinquent in making certain specific payments subsequent to the sale.

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining assets or outstanding debt once the asset pool reaches a predefined level, which represents the point where servicing is burdensome rather than beneficial. Such an option is referred to as a clean-up call. As servicer, we are able to exercise this option at our discretion anytime after the asset pool size falls below the predefined level. The repurchase price for the loans is typically par plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase the asset if certain events, outside our control, are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan if it exceeds a certain prespecified delinquency level. We have complete discretion regarding when or if we will exercise these options, but generally, we would do so when it is in our best interest.

The loans sold into off-balance sheet securitization transactions are removed from our balance sheet. The assets obtained from the securitization are primarily reported as cash, servicing rights, or (if retained) retained interests. We elected fair value treatment for our existing mortgage servicing rights portfolio. Liabilities incurred as part of the transaction, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The following summarizes the pretax gains and losses recognized on the types of loans sold into off-balance sheet securitization transactions.

| | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **2010** | 2009 |
| Retail finance receivables | **$** | $ | **$** | $ |
| Automotive wholesale loans | | 38 | | 102 |
| Mortgage loans | **1** | | **4** | (4) |
| Total pretax gain on off-balance sheet activities | **$ 1** | $ 38 | **$ 4** | $ 98 |

The following summarizes the type and amount of loans held by the securitization trusts in transactions that qualified for off-balance sheet treatment.

| *($ in billions)* | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| Retail finance receivables | **$** | $ 7.5 |
| Automotive wholesale loans | | |
| Mortgage loans (a) | **80.2** | 99.6 |
| Total off-balance sheet activities | **$ 80.2** | $ 107.1 |

(a) Excludes $168 million and $237 million of delinquent loans held by securitization trusts as of June 30, 2010, and December 31, 2009, respectively, that we have the option to repurchase as they are included in consumer finance receivables and loans and mortgage loans held-for-sale.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 10. Mortgage Servicing Rights

The following tables summarize activity related to MSRs carried at fair value. Sufficient market inputs exist to determine the fair value of our recognized servicing assets and servicing liabilities.

| | Three months ended June 30, | |
|---|---|---|
| *($ in millions)* | **2010** | 2009 |
| Estimated fair value at April 1, | **$ 3,543** | $ 2,587 |
| Additions obtained from sales of financial assets | **167** | 254 |
| Additions from purchases of servicing assets | **20** | 6 |
| Subtractions from sales of servicing assets | | (19) |
| Changes in fair value | | |
| Due to changes in valuation inputs or assumptions used in the valuation model | **(543)** | 1,035 |
| Other changes in fair value (a) | **(206)** | (352) |
| Other changes that affect the balance | **2** | (2) |
| Estimated fair value at June 30, | **$ 2,983** | $ 3,509 |

(a) Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

| | Six months ended June 30, | |
|---|---|---|
| *($ in millions)* | **2010** | 2009 |
| Estimated fair value at January 1, | **$ 3,554** | $ 2,848 |
| Additions obtained from sales of financial assets | **369** | 373 |
| Additions from purchases of servicing assets | **21** | 6 |
| Subtractions from sales of servicing assets | | (19) |
| Changes in fair value | | |
| Due to changes in valuation inputs or assumptions used in the valuation model | **(494)** | 995 |
| Other changes in fair value (a) | **(450)** | (692) |
| Decrease due to change in accounting principle (b) | **(19)** | |
| Other changes that affect the balance | **2** | (2) |
| Estimated fair value at June 30, | **$ 2,983** | $ 3,509 |

(a) Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

(b) The effect of change in accounting principle was due to the adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets*, and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Refer to Note 1 for additional information.

We pledged MSRs of $1.5 billion as collateral for borrowings at both June 30, 2010, and December 31, 2009.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation models include all changes due to revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio, foreign currency translation adjustments, and the extinguishment of MSRs related to the exercise of clean-up calls of securitization transactions.

Key assumptions we use in valuing our MSRs are as follows.

| | June 30, | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| Range of prepayment speeds | **9.2** | **42.0%** | 0.7 | 49.0% |
| Range of discount rates | **2.9** | **24.8%** | 3.3 | 130.3% |

Table of Contents

**ALLY FINANCIAL INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments, which could reduce the value of the MSRs. We have economically hedged the income statement impact of these risks with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures, and forward contracts and/or purchasing or selling U.S. Treasury and principal-only securities. The net fair value of derivative financial instruments used to mitigate these risks amounted to $855 million and $443 million at June 30, 2010 and 2009, respectively. The changes in fair value of the derivative financial instruments amounted to a gain of $790 million and a loss of $902 million for the six months ended June 30, 2010 and 2009, respectively, and were included in servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

The components of mortgage servicing fees were as follows.

| | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **2010** | 2009 |
| Contractual servicing fees, net of guarantee fees and including subservicing | **$ 266** | $ 275 | **$ 524** | $ 553 |
| Late fees | **19** | 21 | **38** | 45 |
| Ancillary fees | **43** | 38 | **90** | 74 |
| Total | **$ 328** | $ 334 | **$ 652** | $ 672 |

Our Mortgage operations that conduct primary and master servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with government-sponsored entities. At June 30, 2010, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

**11. Other Assets**

The components of other assets were as follows.

| *($ in millions)* | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| Property and equipment at cost | **$ 1,282** | $ 1,416 |
| Accumulated depreciation | **(922)** | (1,080) |
| Net property and equipment | **360** | 336 |
| Fair value of derivative contracts in receivable position | **4,848** | 2,654 |
| Restricted cash collections for securitization trusts (a) | **2,346** | 3,654 |
| Servicer advances | **2,007** | 2,180 |
| Restricted cash and cash equivalents | **1,966** | 1,590 |
| Cash reserve deposits held-for-securitization trusts (b) | **1,303** | 1,594 |
| Collateral placed with counterparties | **844** | 1,760 |
| Other accounts receivable | **844** | 573 |
| Debt issuance costs | **810** | 829 |
| Prepaid expenses and deposits | **662** | 749 |
| Goodwill | **524** | 526 |
| Interests retained in financial asset sales | **465** | 471 |

| | | | | |
|---|---|---|---|---|
| Investment in used vehicles held-for-sale | | **450** | | 522 |
| Accrued interest and rent receivable | | **307** | | 326 |
| Real estate and other investments | | **270** | | 340 |
| Repossessed and foreclosed assets, net, at lower of cost or fair value | | **243** | | 336 |
| Other assets | | **1,397** | | 1,447 |
| Total other assets | **$** | **19,646** | $ | 19,887 |

(a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.

(b) Represents credit enhancement in the form of cash reserves for various securitization transactions.

Table of Contents

**ALLY FINANCIAL INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

The changes in the carrying amounts of goodwill for the periods shown were as follows.

| *($ in millions)* | **International Automotive Finance operations** | **Insurance operations** | **Total** |
|---|---|---|---|
| Goodwill at December 31, 2009 | **$ 469** | **$ 57** | **$ 526** |
| Transfer to assets of discontinued operations held-for-sale | | **6** | **6** |
| Foreign currency translation effect | | **(8)** | **(8)** |
| Goodwill at June 30, 2010 | **$ 469** | **$ 55** | **$ 524** |

**12. Deposit Liabilities**

Deposit liabilities consisted of the following.

| *($ in millions)* | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| Domestic deposits | | |
| Noninterest-bearing deposits | **$ 2,262** | $ 1,755 |
| NOW and money market checking accounts | **7,948** | 7,213 |
| Certificates of deposit | **20,597** | 19,861 |
| Dealer deposits | **1,257** | 1,041 |
| Total domestic deposits | **32,064** | 29,870 |
| Foreign deposits | | |
| Noninterest-bearing deposits | **14** | |
| NOW and money market checking accounts | **541** | 165 |
| Certificates of deposit | **2,350** | 1,555 |
| Dealer deposits | **245** | 166 |
| Total foreign deposits | **3,150** | 1,886 |
| Total deposit liabilities | **$ 35,214** | $ 31,756 |

Noninterest bearing deposits primarily represent third-party escrows associated with our Mortgage operations loan servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At June 30, 2010, and December 31, 2009, certificates of deposit included $5.4 billion and $4.8 billion, respectively, of domestic certificates of deposit in denominations of $100 thousand or more.

**Table of Contents**

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 13. Debt

The following table presents the composition of our debt portfolio at June 30, 2010, and December 31, 2009.

| | **June 30, 2010** | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **Unsecured** | **Secured** | **Total** | Unsecured | Secured | Total |
| Short-term debt | | | | | | |
| Commercial paper | **$** | **$** | **$** | $ 8 | $ | $ 8 |
| Demand notes | **1,596** | | **1,596** | 1,311 | | 1,311 |
| Bank loans and overdrafts | **1,789** | | **1,789** | 1,598 | | 1,598 |
| Repurchase agreements and other (a) | **345** | **3,324** | **3,669** | 348 | 7,027 | 7,375 |
| Total short-term debt | **3,730** | **3,324** | **7,054** | 3,265 | 7,027 | 10,292 |
| Long-term debt | | | | | | |
| Due within one year | **6,203** | **13,734** | **19,937** | 7,429 | 18,898 | 26,327 |
| Due after one year (b) | **39,453** | **25,020** | **64,473** | 38,331 | 22,834 | 61,165 |
| Total long-term debt (c) | **45,656** | **38,754** | **84,410** | 45,760 | 41,732 | 87,492 |
| Fair value adjustment (d) | **795** | | **795** | 529 | | 529 |
| Total debt | **$ 50,181** | **$ 42,078** | **$ 92,259** | $ 49,554 | $ 48,759 | $ 98,313 |

(a) Repurchase agreements consist of secured financing arrangements with third parties at our Mortgage operations. Other primarily includes nonbank secured borrowings and notes payable to GM. Refer to Note 17 for additional information.

(b) Includes $7.4 billion at both June 30, 2010, and December 31, 2009, guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP).

(c) Secured long-term debt includes $2.2 billion and $1.3 billion at fair value as of June 30, 2010, and December 31, 2009, respectively, as a result of fair value option elections. Refer to Note 18 for additional information.

(d) Amount represents the hedge accounting adjustment on fixed rate debt.

The following table presents the scheduled maturity of long-term debt at June 30, 2010, assuming that no early redemptions occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

| Year ended December 31, *($ in millions)* | Unsecured (a) | Secured (b) | Total |
|---|---|---|---|
| 2010 | $ 2,149 | $ 7,466 | $ 9,615 |
| 2011 | 9,393 | 13,279 | 22,672 |
| 2012 | 12,610 | 5,923 | 18,533 |
| 2013 | 1,889 | 5,725 | 7,614 |
| 2014 | 1,967 | 1,723 | 3,690 |
| 2015 and thereafter | 21,405 | 1,706 | 23,111 |
| Original issue discount (c) | (3,757) | | (3,757) |
| Troubled debt restructuring concession (d) | | 396 | 396 |
| Long-term debt | 45,656 | 36,218 | 81,874 |
| Collateralized borrowings in securitization trusts (e) | | 2,536 | 2,536 |

| | | | |
|---|---|---|---|
| Total long-term debt | $ 45,656 | $ 38,754 | $ 84,410 |

(a) Scheduled maturities of ResCap unsecured long-term debt are as follows: $419 million in 2010; $208 million in 2011; $340 million in 2012; $529 million in 2013; $97 million in 2014; and $112 million in 2015 and thereafter. These maturities exclude ResCap debt held by Ally.

(b) Scheduled maturities of ResCap secured long-term debt are as follows: $661 million in 2010; $508 million in 2011; $0 million in 2012; $707 million in 2013; $707 million in 2014; and $910 million in 2015 and thereafter. These maturities exclude ResCap debt held by Ally and collateralized borrowings in securitization trusts.

(c) Scheduled remaining amortization of original issue discount is as follows: $640 million in 2010; $967 million in 2011; $342 million in 2012; $255 million in 2013; $183 million in 2014; and $1,370 million in 2015 and thereafter.

(d) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain new secured notes. This concession is being amortized over the life of the new notes through a reduction to interest expense using an effective yield methodology. Scheduled remaining amortization of the troubled debt restructuring concession is as follows: $49 million in 2010; $101 million in 2011; $105 million in 2012; $82 million in 2013; $46 million in 2014; and $13 million in 2015 and thereafter.

(e) Collateralized borrowings in securitization trusts represent mortgage-lending-related debt that is repaid on the principal payments of the underlying assets.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following summarizes assets restricted as collateral for the payment of the related debt obligation primarily arising from secured financing arrangements, securitization transactions accounted for as secured borrowings, and repurchase agreements.

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| *($ in millions)* | **Assets** | **Related secured debt (a)** | Assets | Related secured debt (a) |
| Loans held-for-sale | **$ 2,646** | **$ 749** | $ 1,420 | $ 454 |
| Mortgage assets held-for-investment and lending receivables | **2,832** | **2,509** | 1,946 | 1,673 |
| Retail automotive finance receivables (b) | **22,436** | **19,246** | 19,203 | 13,597 |
| Wholesale automotive finance receivables | **12,095** | **6,745** | 16,352 | 8,565 |
| Investment securities | **39** | | 63 | |
| Investment in operating leases, net | **5,365** | **3,711** | 13,323 | 9,208 |
| Real estate investments and other assets | **3,940** | **4,141** | 4,468 | 5,129 |
| Ally Bank (c) | **19,155** | **4,977** | 24,276 | 10,133 |
| Total | **$ 68,508** | **$ 42,078** | $ 81,051 | $ 48,759 |

(a) Included as part of secured debt are repurchase agreements of $979 million and $26 million at June 30, 2010, and December 31, 2009, respectively. Assets approximating the value of the debt were pledged as collateral for both periods.

(b) Included as part of retail automotive finance receivables are $13.3 billion of assets and $8.8 billion of secured debt related to Ally Bank.

(c) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling $15.2 billion and $22.4 billion as of June 30, 2010, and December 31, 2009, respectively. Furthermore, under the advance agreement, the FHLB has a blanket lien on certain Ally Bank assets including approximately $11.6 billion and $11.5 billion in real estate-related finance receivables and loans and $3.2 billion and $2.7 billion in other assets as of June 30, 2010, and December 31, 2009, respectively. Availability under these programs is generally only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

### Funding Facilities

The following table highlights credit capacity under our secured and unsecured funding facilities as of June 30, 2010, and December 31, 2009. 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 in the outstanding column in the table below are generally included on our Consolidated Balance Sheet.

| | Total capacity | | Unused capacity (a) | | Outstanding | |
|---|---|---|---|---|---|---|
| *($ in billions)* | **June 30, 2010** | Dec 31, 2009 | **June 30, 2010** | Dec 31, 2009 | **June 30, 2010** | Dec 31, 2009 |
| Committed unsecured | | | | | | |
| Automotive Finance operations | **$ 0.8** | $ 0.8 | **$ 0.1** | $ 0.1 | **$ 0.7** | $ 0.7 |
| Committed secured | | | | | | |
| Automotive Finance operations and other | **29.9** | 36.0 | **17.2** | 12.2 | **12.7** | 23.8 |
| Mortgage operations | **1.7** | 2.1 | **0.3** | 0.4 | **1.4** | 1.7 |
| Total committed facilities | **32.4** | 38.9 | **17.6** | 12.7 | **14.8** | 26.2 |
| Uncommitted unsecured | | | | | | |
| Automotive Finance operations | **1.1** | 0.9 | **0.2** | 0.1 | **0.9** | 0.8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Uncommitted secured | | | | | | |
| Automotive Finance operations (b) | **3.4** | 5.7 | **3.1** | 2.0 | **0.3** | 3.7 |
| Mortgage operations (c) (d) | **7.1** | 8.6 | **2.1** | 1.9 | **5.0** | 6.7 |
| Total uncommitted facilities | **11.6** | 15.2 | **5.4** | 4.0 | **6.2** | 11.2 |
| Total facilities | **44.0** | 54.1 | **23.0** | 16.7 | **21.0** | 37.4 |
| Whole-loan forward flow agreements (e) | **1.5** | 9.4 | **1.5** | 9.4 | | |
| Total commitments | **$ 45.5** | $ 63.5 | **$ 24.5** | $ 26.1 | **$ 21.0** | $ 37.4 |

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

(b) Included $3.0 billion and $5.3 billion of capacity from Federal Reserve Bank advances with $0.0 billion and $3.4 billion outstanding as of June 30, 2010, and December 31, 2009, respectively.

(c) Included $0.8 billion and $2.5 billion of capacity from Federal Reserve Bank advances with $0.0 billion and $1.6 billion outstanding as of June 30, 2010, and December 31, 2009, respectively.

(d) Included $5.7 billion and $5.9 billion of capacity from FHLB advances with $4.5 billion and $5.1 billion outstanding as of June 30, 2010, and December 31, 2009, respectively.

(e) Represents commitments of financial institutions to purchase U.S. automotive retail assets. One of these arrangements expired in June 2010 while the other expires in October 2010.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**14. Regulatory Capital**

As a bank holding company, we and our wholly owned banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines by federal regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital ratio is determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories perceived as representing greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, and qualifying preferred stock (including fixed-rate cumulative preferred stock issued and sold to the Treasury) less goodwill and other adjustments. 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.

Total risk-based capital is the sum of Tier 1 capital and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio of 4%.

The federal banking regulators also established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted average total assets (which reflect 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.

A banking institution is considered well-capitalized when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6% unless subject to regulatory directive to maintain higher capital levels and for insured depository institutions, a leverage ratio that equals or exceeds 5%.

In conjunction with the conclusion of the Supervising Capital Assessment Program (S-CAP), the banking regulators developed an additional measure of capital called Tier 1 common defined as Tier 1 capital less noncommon elements including qualified perpetual preferred stock, qualifying minority interest in subsidiaries and qualifying trust preferred securities.

On July 21, 2008, Ally, FIM Holdings, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank s leverage ratio is at least 11% for a three-year period and thereafter, remain well-capitalized. For this purpose, the leverage ratio is determined in accordance with the FDIC s regulations related to capital maintenance.

Additionally, on May 21, 2009, the Federal Reserve Board (FRB) granted Ally Bank an expanded exemption from Section 23A of the Federal Reserve Act. The exemption enables Ally Bank to make certain extensions of credit for the purchase of GM vehicles or vehicles floorplanned by Ally. The exemption requires Ally to maintain a Total risk-based capital ratio of 15% and Ally Bank to maintain a Tier 1 leverage ratio of 15%.

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. Currently all U.S. banks are subject to the Basel I capital rules. The Basel Committee issued Basel II Capital Rules, and the U.S. regulators issued companion rules applicable to certain U.S.-domiciled institutions. Ally qualifies as a mandatory bank holding company that must comply with the U.S. Basel II rules. The Basel Committee on Banking Supervision issued additional guidance regarding market risk capital rules and Basel II capital rules for securitizations. U.S. banking regulators have not yet issued any companion guidance. We continue to monitor developments with respect to Basel II requirements and are working to ensure successful execution within the required time.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

On January 28, 2010, the federal banking agencies published a final rule amending the risk-based capital guidelines associated with the implementation of ASU 2009-16 and ASU 2009-17. The rule permits banking organizations to phase in the effects of the consolidation on risk-weighted assets and also makes provisions associated with the impact of allowance for loan and lease losses effects on Tier 2 capital during 2010. Ally elected to utilize this optional phase-in approach. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17.

The following table summarizes our capital ratios.

| | **June 30, 2010** | | December 31, 2009 | | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **Amount** | **Ratio** | Amount | Ratio | Required Minimum | Well-Capitalized Minimum |
| Risk-based capital | | | | | | |
| Tier 1 (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | **$ 22,389** | **15.31%** | $ 22,398 | 14.15% | 4.00% | 6.00% |
| Ally Bank | **8,172** | **20.25%** | 7,768 | 20.85% | (a) | 6.00% |
| Total (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | **$ 24,628** | **16.84%** | $ 24,623 | 15.55% | 15.00% (b) | 10.00% |
| Ally Bank | **8,680** | **21.51%** | 8,237 | 22.10% | (a) | 10.00% |
| Tier 1 leverage (to adjusted average assets) (c) | | | | | | |
| Ally Financial Inc. | **$ 22,389** | **12.64%** | $ 22,398 | 12.70% | 3.00 4.00% | (d) |
| Ally Bank | **8,172** | **15.99%** | 7,768 | 15.42% | 15.00% (a) | 5.00% |
| Tier 1 common (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | **$ 7,669** | **5.24%** | $ 7,678 | 4.85% | n/a | n/a |
| Ally Bank | **n/a** | **n/a** | n/a | n/a | n/a | n/a |

n/a = not applicable

(a) Ally Bank, in accordance with the FRB exemption from Section 23A, is required to maintain a Tier 1 leverage ratio of 15%. Ally Bank is also required to maintain well-capitalized levels for Tier 1 risk-based capital and total risk-based ratios pursuant to the CLMA.
(b) Ally, in accordance with the FRB exemption from Section 23A, is required to maintain a Total risk-based capital ratio of 15%.
(c) Federal regulatory reporting guidelines require the calculation of adjusted average assets using a daily average methodology. We currently calculate using a combination of monthly and daily average methodologies. We are in the process of modifying information systems to address the daily average requirement.
(d) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

At June 30, 2010, Ally and Ally Bank met all required minimum ratios and exceeded well-capitalized requirements under the federal regulatory agencies definitions as summarized in the table above.

### 15. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign currency swaps, futures, forwards, options, swaptions, and credit default swaps in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including investment securities, loans held-for-sale, mortgage servicing rights, debt, and deposits. In addition, we use foreign exchange contracts to mitigate foreign currency risk associated with foreign-currency-denominated debt and foreign exchange transactions. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign currency risks related to the assets and liabilities of our automotive finance and mortgage operations.

**Interest Rate Risk**

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable rate. We apply hedge accounting for certain derivative instruments used to hedge fixed-rate debt. We monitor our mix of fixed- and variable-rate debt in relationship to the rate profile of our assets. When it is cost effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Our qualifying accounting hedges consist of hedges of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We enter into economic hedges to mitigate exposure for the following categories:

***MSRs and retained interests*** Our MSRs and retained interest portfolios are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs and retained interests. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivatives that increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of mortgage servicing rights due to the change in fair value caused by interest rate changes and their interrelated impact to prepayments.

We use a multitude of derivative instruments to manage the interest rate risk related to MSRs and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, MBS futures, U.S. Treasury futures, interest rate swaps, interest rate floors, and interest rate caps. While we do not utilize nonderivative instruments (e.g., U.S. Treasuries) to hedge this portfolio, we utilized them in the past and may utilize them again in the future. We monitor and actively manage our risk on a daily basis, and therefore trading volume can be large.

***Mortgage loan commitments and mortgage and automotive loans held-for-sale*** We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale go up and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage and automotive loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish this objective for mortgage loans and IRLCs is forward sales of mortgage-backed securities, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to hedge automotive loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments may also be periodically used to economically hedge the mortgage portfolio, such as short positions on U.S. Treasuries. We monitor and actively manage our risk on a daily basis. We do not apply hedge accounting to our derivative portfolio held to economically hedge the IRLCs and mortgage and automotive loans held-for-sale.

***Debt*** As part of our previous on-balance sheet securitizations and/or secured aggregation facilities, certain interest rate swaps or interest rate caps were included within consolidated variable interest entities; these swaps or caps were generally required to meet certain rating agency requirements or were required by the facility lender or provider. The interest rate swaps and/or caps are generally entered into when the debt is issued; accordingly, current trading activity on this particular derivative portfolio is minimal. Additionally, effective January 1, 2010, the derivatives that were hedging off-balance sheet securitization activities are now hedging these securitizations as on-balance sheet securitization activities. We consolidated the off-balance sheet securitizations on January 1, 2010, due to accounting principle changes associated with ASU 2009-16 and ASU 2009-17. Refer to Note 1 for additional information related to the recent adoption.

With the exception of a portion of our fixed-rate debt, we do not apply hedge accounting to our derivative portfolio held to economically hedge our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

***Other*** We enter into futures, options, swaptions, and credit default swaps to economically hedge our net fixed versus variable interest rate exposure.

**Foreign Currency Risk**

We enter into derivative financial instrument contracts to hedge exposure to variability in cash flows related to foreign currency financial instruments. Currency swaps and forwards are used to hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed.

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Similar to our interest rate hedges, the swaps are generally entered into or traded concurrent with the debt issuance with the terms of the swap matching the terms of the underlying debt.

Our non-U.S. subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries functional currencies for accounting purposes. Foreign currency exchange rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our other comprehensive income (loss). We enter into foreign currency forwards with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. Our net investment hedges are recorded at fair value with changes recorded to other comprehensive income (loss) with the exception of the spot to forward difference that is recorded in current period earnings. The net derivative gain or loss remains in other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

In addition, we have a centralized lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign currency derivatives with external counterparties. Our foreign currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the hedged foreign currency transactions.

With limited exceptions, we elected not to treat any foreign currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign currency swaps are substantially offset by the foreign currency revaluation gains and losses of the underlying assets and liabilities.

**Credit Risk**

Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument.

To further mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of their total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

We placed collateral totaling $844 million and $1.8 billon at June 30, 2010, and December 31, 2009, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling $1.3 billion and $432 million at June 30, 2010, and December 31, 2009, respectively. The collateral placed and received are included on our Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our consolidated balance sheet unless certain conditions are met.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Balance Sheet Presentation**

The following tables summarize the fair value amounts of derivative instruments reported on our Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories.

| June 30, 2010 *($ in millions)* | Fair value of derivative contracts in receivable position (a) | Fair value of derivative contracts in liability position (b) | Notional amount |
|---|---|---|---|
| Qualifying accounting hedges | | | |
| Interest rate risk | | | |
| Fair value accounting hedges | $ 723 | $ | $ 16,991 |
| Foreign exchange risk | | | |
| Net investment accounting hedges | 86 | 13 | 2,966 |
| Cash flow accounting hedges | 10 | 129 | 433 |
| Total foreign exchange risk | 96 | 142 | 3,399 |
| Total qualifying accounting hedges | 819 | 142 | 20,390 |
| Economic hedges | | | |
| Interest rate risk | | | |
| MSRs and retained interests | 3,129 | 2,274 | 269,915 |
| Mortgage loan commitments and mortgage and automotive loans held-for-sale | 188 | 225 | 42,066 |
| Debt | 263 | 251 | 30,386 |
| Other | 74 | 63 | 11,885 |
| Total interest rate risk | 3,654 | 2,813 | 354,252 |
| Foreign exchange risk | 375 | 223 | 15,669 |
| Total economic hedges | 4,029 | 3,036 | 369,921 |
| Total derivatives | $ 4,848 | $ 3,178 | $ 390,311 |

(a) Reported as other assets on the Consolidated Balance Sheet. Includes accrued interest of $273 million.
(b) Reported as accrued expenses and other liabilities on the Consolidated Balance Sheet. Includes accrued interest of $42 million.

**Table of Contents**

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| December 31, 2009 *($ in millions)* | Fair value of derivative contracts in receivable position (a) | Fair value of derivative contracts in liability position (b) | Notional amount |
|---|---|---|---|
| Qualifying accounting hedges | | | |
| Interest rate risk | | | |
| Fair value accounting hedges | $ 478 | $ 47 | $ 16,938 |
| Foreign exchange risk | | | |
| Net investment accounting hedges | 10 | 41 | 2,414 |
| Cash flow accounting hedges | | 112 | 334 |
| Total foreign exchange risk | 10 | 153 | 2,748 |
| Total qualifying accounting hedges | 488 | 200 | 19,686 |
| Economic hedges | | | |
| Interest rate risk | | | |
| MSRs and retained interests | 805 | 816 | 153,818 |
| Mortgage loan commitments and mortgage and automotive loans held-for-sale | 225 | 132 | 45,470 |
| Off-balance sheet securitization activities | 139 | | 4,440 |
| Debt | 392 | 548 | 53,501 |
| Other | 50 | 24 | 12,629 |
| Total interest rate risk | 1,611 | 1,520 | 269,858 |
| Foreign exchange risk | 555 | 175 | 22,927 |
| Total economic hedges | 2,166 | 1,695 | 292,785 |
| Total derivatives | $ 2,654 | $ 1,895 | $ 312,471 |

(a) Reported as other assets on the Consolidated Balance Sheet. Includes accrued interest of $314 million.
(b) Reported as accrued expenses and other liabilities on the Consolidated Balance Sheet. Includes accrued interest of $91 million.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Statement of Income Presentation**

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **2010** | 2009 |
| Qualifying accounting hedges | | | | |
| Gain (loss) recognized in earnings on derivatives | | | | |
| Interest rate contracts | | | | |
| Interest on long-term debt | **$ 316** | $ (180) | **$ 397** | $ (377) |
| (Loss) gain recognized in earnings on hedged items | | | | |
| Interest rate contracts | | | | |
| Interest on long-term debt | **(285)** | 155 | **(347)** | 320 |
| Total qualifying accounting hedges | **31** | (25) | **50** | (57) |
| Economic hedges | | | | |
| Gain (loss) recognized in earnings on derivatives | | | | |
| Interest rate contracts | | | | |
| Servicing asset valuation and hedge activities, net | **727** | (902) | **790** | (882) |
| Loss on mortgage and automotive loans, net | **(257)** | (40) | **(401)** | (269) |
| Other loss on investments, net | | (7) | | (8) |
| Other income, net of losses | **3** | 48 | **(50)** | 36 |
| Other operating expenses | **(2)** | (14) | **(6)** | (16) |
| Total interest rate contracts | **471** | (915) | **333** | (1,139) |
| Foreign exchange contracts (a) | | | | |
| Interest on long-term debt | **18** | (8) | **(14)** | (8) |
| Other income, net of losses | **(5)** | 10 | **(8)** | (211) |
| Total foreign exchange contracts | **13** | 2 | **(22)** | (219) |
| Gain (loss) recognized in earnings on derivatives | **$ 515** | $ (938) | **$ 361** | $ (1,415) |

(a) Amount represents the difference between the changes in the fair values of the currency hedge, net of the revaluation of the related foreign denominated debt or foreign denominated receivable.

**16. Income Taxes**

Effective June 30, 2009, we converted (the Conversion) from a limited liability company (LLC) treated as a pass-through entity for U.S. federal income tax purposes to a corporation. As a result of the Conversion, we became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Due to this change in tax status as of June 30, 2009, an additional net deferred tax liability of $1.2 billion was established through income tax expense from continuing operations.

Prior to the Conversion, certain U.S. entities were pass-through entities for U.S. federal income tax purposes. U.S. federal, state, and local income taxes were generally not provided for these entities as they were not taxable entities except in a few local jurisdictions that tax LLCs or partnerships. LLC members were required to report their share of our taxable income on their respective income tax returns. In addition, our banking, insurance, and foreign subsidiaries generally were and continue to be corporations that are subject to, and required to provide for U.S. and foreign income taxes. The Conversion did not change the tax status of these subsidiaries.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We recognized total income tax expense from continuing operations of $33 million and $69 million during the three months and six months ended June 30, 2010, respectively, and total income tax expense from continuing operations of $1.1 billion and $972 million during the three months and six months ended June 30, 2009, respectively. A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate for continuing operations is shown in the following table.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Statutory U.S. federal tax rate | **35.0%** | 35.0% | **35.0%** | 35.0% |
| Change in tax rate resulting from | | | | |
| Effect of valuation allowance change | **(34.5)** | (0.9) | **(30.7)** | (0.5) |
| Foreign capital loss | **12.1** | | **8.6** | |
| Active Finance Exception-expiration | **(9.8)** | | **0.2** | |
| Taxes on unremitted earnings of subsidiaries | **5.9** | | **0.5** | |
| Foreign income tax rate differential | **(2.4)** | (0.6) | **(1.1)** | 0.3 |
| State and local income taxes, net of federal income tax benefit | **(0.5)** | 1.2 | **0.7** | 0.9 |
| Tax-exempt income | **(0.4)** | 0.1 | **(0.7)** | 0.2 |
| Change in tax status | | (76.7) | | (53.7) |
| LLC results not subject to federal or state income taxes | | (25.9) | | (24.1) |
| Other, net | **2.0** | (1.4) | **(1.5)** | (1.1) |
| Effective tax rate | **7.4%** | (69.2)% | **11.0%** | (43.0)% |

The valuation allowances that were previously established against our domestic net deferred tax assets and certain international net deferred tax assets declined by approximately $169 million and $701 million during the three months and six months ended June 30, 2010, respectively, as a result of profitability of our operations in various tax jurisdictions in combination with an election made by the company to treat the U.S. consumer property and casualty insurance business disposition as an asset sale versus a stock sale for U.S. tax purposes. This election resulted in a smaller ordinary loss than the capital loss that was previously recorded.

The amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate is approximately $144 million as of June 30, 2010, compared to $157 million at December 31, 2009. We do not expect a significant change in the unrecognized tax benefits within the next 12 months.

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 17. Related Party Transactions

The related party activities represent transactions with GM, FIM Holdings, and affiliated companies. GM and FIM Holdings have both a direct and indirect ownership interest in Ally.

**Balance Sheet**

A summary of the balance sheet effect of transactions with GM, FIM Holdings, and affiliated companies follows.

| *($ in millions)* | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| **Assets** | | |
| Available-for-sale investment in asset-backed security GM (a) | **$ 8** | $ 20 |
| Secured | | |
| Finance receivables and loans, net of unearned income | | |
| Wholesale automotive financing GM (b) | **291** | 280 |
| Term loans to dealers GM (b) | **72** | 71 |
| Lending receivables affiliates of FIM Holdings | **65** | 54 |
| Investment in operating leases, net GM (c) | **63** | 69 |
| Notes receivable from GM (d) | **354** | 884 |
| Other assets | | |
| Other GM | **52** | 102 |
| Total secured | **897** | 1,460 |
| Unsecured | | |
| Notes receivable from GM (d) | **11** | 27 |
| Other assets | | |
| Subvention receivables (rate and residual support) GM | **153** | 165 |
| Lease pull-ahead receivable GM | **21** | 21 |
| Other GM | **18** | 26 |
| Total unsecured | **203** | 239 |
| **Liabilities** | | |
| Unsecured debt | | |
| Notes payable to GM | **$ 25** | $ 154 |
| Accrued expenses and other liabilities | | |
| Wholesale payable GM | **288** | 161 |
| Other payables GM | **61** | 18 |

(a) In November 2006, Ally retained an investment in a note secured by operating lease assets transferred to GM. As part of the transfer, Ally provided a note to a trust, a wholly owned subsidiary of GM. The note was classified in investment securities on the Consolidated Balance Sheet.

(b) Represents wholesale financing and term loans to certain dealerships wholly owned by GM or in which GM has an interest. The loans are generally secured by the underlying vehicles or assets of the dealerships.

(c) Primarily represents buildings classified as operating lease assets that are leased to GM-affiliated entities. These leases are secured by the underlying assets.

(d) Represents wholesale financing we provide to GM for vehicles, parts, and accessories in which GM retains title while consigned to us or dealers primarily in Italy in 2010 and in the United Kingdom and Italy in 2009. The financing to GM remains outstanding until the title is transferred to Ally or the dealers. The amount of financing provided to GM under this arrangement varies based on inventory levels. These loans are secured by the underlying vehicles or other assets (except loans relating to parts and accessories in Italy).

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Statement of Income**

A summary of the statement of income effect of transactions with GM, FIM Holdings, and affiliated companies follows.

| ($ in millions) | Three months ended June 30, 2010 | 2009 | Six months ended June 30, 2010 | 2009 |
|---|---|---|---|---|
| **Net financing revenue** | | | | |
| GM and affiliates lease residual value support North American operations (a) | **$ (6)** | $ 56 | **$ 1** | $ 140 |
| GM and affiliates rate support North American operations | **159** | 194 | **325** | 383 |
| Wholesale subvention and service fees from GM | **40** | 59 | **86** | 116 |
| Interest earned on wholesale automotive financing | | 5 | **2** | 10 |
| Interest earned on term loans to dealers | | 1 | | 1 |
| Interest expense on loans with GM | **(1)** | (11) | **(4)** | (21) |
| Interest on notes receivable from GM and affiliates | **(4)** | 13 | **5** | 34 |
| Interest on wholesale settlements (b) | **44** | 34 | **90** | 55 |
| Interest income on loans with FIM Holdings affiliates, net | **1** | 1 | **2** | 2 |
| Consumer lease payments from GM (c) | **3** | 21 | **15** | 60 |
| **Other revenue** | | | | |
| Insurance premiums earned from GM | **40** | 43 | **80** | 83 |
| Service fees on transactions with GM | **2** | 1 | **3** | 4 |
| Revenues from GM-leased properties, net | **2** | 3 | **4** | 5 |
| Other (d) | | (1) | **(1)** | (5) |
| **Servicing fees** | | | | |
| U.S. automotive operating leases (e) | **1** | 7 | **2** | 18 |
| **Expense** | | | | |
| Off-lease vehicle selling expense reimbursement (f) | **(4)** | (7) | **(8)** | (15) |
| Payments to GM for services, rent, and marketing expenses (g) | **34** | 33 | **67** | 51 |

(a) Represents total amount of residual support and risk sharing (incurred) earned under the residual support and risk-sharing programs.
(b) The settlement terms related to the wholesale financing of certain GM products are at shipment date. To the extent that wholesale settlements with GM are made before the expiration of transit, we receive interest from GM.
(c) GM sponsors lease pull-ahead programs whereby consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle with the customer s remaining payment obligation waived. For certain programs, GM compensates us for the waived payments adjusted based on remarketing results associated with the underlying vehicle.
(d) Includes income or (expense) related to derivative transactions that we enter into with GM as counterparty.
(e) Represents servicing income related to automotive leases distributed as a dividend to GM on November 22, 2006.
(f) An agreement with GM provides for the reimbursement of certain selling expenses incurred by us on off-lease vehicles sold by GM at auction.
(g) We reimburse GM for certain services provided to us. This amount includes rental payments for our primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan, and exclusivity and royalty fees.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Statement of Changes in Equity**

A summary of the changes to the statement of changes in equity related to transactions with GM, FIM Holdings, and affiliated companies follows.

| *($ in millions)* | **Six months ended June 30, 2010** | Year ended December 31, 2009 |
|---|---|---|
| **Equity** | | |
| Capital contributions received (a) | **$** | $ 1,280 |
| Dividends to shareholders/members (b) | **7** | 393 |
| Preferred interest dividends GM | **51** | 128 |
| Other (c) | **(74)** | |

(a) On January 16, 2009, we completed a $1.25 billion rights offering pursuant to which we issued additional common membership interests to FIM Holdings and a subsidiary of GM.
(b) Pursuant to an operating agreement, certain of our shareholders were permitted distributions to pay the taxes they incurred from ownership of their Ally interests prior to our conversion from a tax partnership to a corporation. In March 2009, we executed a transaction that had 2008 tax-reporting implications for our shareholders. In accordance with the operating agreement, the approval of both our Ally Board of Directors and the Treasury was obtained in advance for the payment of tax distributions to our shareholders. In 2010, the amount distributed to GM was $7 million. This represented an accrual for GM tax settlements and refunds received related to tax periods prior to the November 30, 2006, sale by GM of a 51% interest in Ally (Sale Transactions). Amounts distributed to GM and FIM Holdings were $220 million and $173 million, respectively, for the year ended December 31, 2009. Included in the 2009 amount is $55 million of remittances to GM for tax settlements and refunds received related to tax periods prior to the Sale Transactions as required by the terms of the Purchase and Sale Agreement between GM and FIM Holdings.
(c) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.

GM, GM dealers, and GM-related employees compose a significant portion of our customer base, and our Global Automotive Services operations are highly dependent on GM production and sales volume. As a result, a significant adverse change in GM s business, including significant adverse changes in GM s liquidity position and access to the capital markets, the production or sale of GM vehicles, the quality or resale value of GM vehicles, the use of GM marketing incentives, GM s relationships with its key suppliers, GM s relationship with the United Auto Workers and other labor unions, and other factors impacting GM or its employees could have a significant adverse effect on our profitability and financial condition.

We provide vehicle financing through purchases of retail automotive and lease contracts with retail customers of primarily GM dealers. We also finance the purchase of new and used vehicles by GM dealers through wholesale financing, extend other financing to GM dealers, provide fleet financing for GM dealers to buy vehicles they rent or lease to others, provide wholesale vehicle inventory insurance to GM dealers, provide automotive extended service contracts through GM dealers, and offer other services to GM dealers. As a result, GM s level of automobile production and sales directly impacts our financing and leasing volume; the premium revenue for wholesale vehicle inventory insurance; the volume of automotive extended service contracts; and the profitability and financial condition of the GM dealers to whom we provide wholesale financing, term loans, and fleet financing. In addition, the quality of GM vehicles affects our obligations under automotive extended service contracts relating to such vehicles. Further, the resale value of GM vehicles, which may be impacted by various factors relating to GM s business such as brand image, the number of new GM vehicles produced, the number of used vehicles remarketed, or reduction in core brands, affects the remarketing proceeds we receive upon the sale of repossessed vehicles and off-lease vehicles at lease termination.

As of June 30, 2010, we had an estimated $897 million in secured credit exposure, which included primarily wholesale vehicle financing to GM-owned dealerships, notes receivable from GM, and vehicles leased directly to GM. We further had approximately $1.1 billion in unsecured credit exposure, which included estimates of payments from GM related to residual support and risk-sharing agreements. Under the terms of certain agreements between Ally and GM, Ally has the right to offset certain of its exposures to GM against amounts Ally owes to GM.

**Retail and Lease Programs**

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

**ALLY FINANCIAL INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

GM may also sponsor residual support programs as a way to lower customer monthly payments. Under residual support programs, the customer s contractual residual value is adjusted above our standard residual values. In addition, under risk-sharing programs and eligible contracts, GM shares equally in residual losses at the time of the vehicle s disposal to the extent that remarketing proceeds are below our standard residual values (limited to a floor).

For North American lease originations and balloon retail contract originations occurring in the United States after April 30, 2006, and in Canada after November 30, 2006, that remained with us after the consummation of the Sale Transactions, GM agreed to begin payment of the present value of the expected residual support owed to us at contract origination as opposed to after contract termination at the time of sale of the related vehicle. The residual support amount GM ultimately owes us is finalized as the leases actually terminate. Under the terms of the residual support program, in cases where the estimate was incorrect, GM may be obligated to pay us, or we may be obligated to reimburse GM.

Based on the June 30, 2010, outstanding North American operating lease and retail balloon portfolios, the additional maximum contractual amount that could be paid by GM under the residual support programs is approximately $802 million and would be paid only in the unlikely event that the proceeds from the entire portfolio of lease assets were lower than both the contractual residual value and our standard residual rates.

Based on the June 30, 2010, outstanding North American operating lease portfolio, the maximum contractual amount that could be paid under the risk-sharing arrangements is approximately $987 million and would be paid only in the unlikely event that the proceeds from all outstanding lease vehicles were lower than our standard residual rates and no higher than the contractual risk-sharing floor.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percentage of total new retail and lease contracts acquired, were as follows.

| | Six months ended June 30, | |
|---|---|---|
| | **2010** | 2009 |
| GM and affiliates subvented contracts acquired | | |
| North American operations | **52%** | 72% |
| International operations (a) | **37%** | 64% |

(a) Represents subvention for continuing operations only.

**Other**

We entered into various services agreements with GM that are designed to document and maintain our current and historical relationship. We are required to pay GM fees in connection with certain of these agreements related to our financing of GM consumers and dealers in certain parts of the world.

GM also provides payment guarantees on certain commercial assets we have outstanding with certain third-party customers. As of June 30, 2010, and December 31, 2009, commercial obligations guaranteed by GM were $58 million and $68 million, respectively. Additionally, GM is bound by repurchase obligations to repurchase new vehicle inventory under certain circumstances, such as dealer franchise termination.

**18. Fair Value**

**Fair Value Measurements**

For purposes of this disclosure, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, entities are required to consider all aspects of nonperformance risk, including the entity s own credit standing, when measuring the fair value of a liability.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

A three-level hierarchy is to be used when measuring and disclosing fair value. An instrument s categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

| | |
|---|---|
| Level 1 | Inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity. |
| Level 2 | Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management s best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation. |

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized:

***Trading securities*** Trading securities are recorded at fair value and may be asset- or mortgage-backed securities (including senior and subordinated interests) and may be investment grade, noninvestment grade, or unrated securities. We base our valuation of trading securities on observable market prices when available; however, observable market prices may not be available for a significant portion of these assets due to current illiquidity in the markets. When observable market prices are not available, valuations are primarily based on internally developed discounted cash flow models (an income approach) that use assumptions consistent with current market conditions. The valuation considers recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). We classified 64% and 94% of the trading securities reported at fair value as Level 3 at June 30, 2010, and December 31, 2009, respectively. Trading securities account for 1% and 2% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.

***Available-for-sale securities*** Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses). We classified less than 1% of the available-for-sale securities reported at fair value as Level 3 at both June 30, 2010, and December 31, 2009. Available-for-sale securities account for 42% and 37% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.

***Loans held-for-sale*** We elected the fair value option for certain mortgage loans held-for-sale. The loans elected were government- and agency-eligible residential loans funded after July 31, 2009. These loans are presented in the table of recurring fair value measurements. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for

additional information. The loans not elected under the fair value option are accounted for at the lower of cost or fair value. The loans not elected under the fair value option are only loans carried at fair value that are accounted for at the lower of cost or fair value. We classified 21% and 49% of the loans held-for-sale reported at fair value as Level 3 at June 30, 2010, and December 31, 2009, respectively. Loans held-for-sale account for 18% and 32% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Approximately 6% and 4% of the total loans held-for-sale carried at fair value are automotive loans at June 30, 2010, and December 31, 2009, respectively. These automotive loans are presented in the nonrecurring fair value measurement table. We based our valuation of automotive loans held-for-sale on internally developed discounted cash flow models (an income approach) and classified all these loans as Level 3. These valuation models estimate the exit price we expect to receive in the loan s principal market, which depending on characteristics of the loans may be the whole-loan market, the securitization market, or committed prices contained in forward flow agreements. Although we utilize and give priority to market observable inputs, such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, these internal inputs require the use of judgment and can have a significant impact on the determination of the loan s value. Accordingly, we classified all automotive loans held-for-sale as Level 3.

Approximately 94% and 96% of the total loans held-for-sale carried at fair value are mortgage loans at June 30, 2010, and December 31, 2009, respectively. We originate or purchase mortgage loans in the United States that we intend to sell to Fannie Mae, Freddie Mac, and Ginnie Mae (collectively, the Agencies). Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as agency eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of loans held-for-sale. The methodology used depends on the exit market as described below.

*Loans valued using observable market prices for identical or similar assets* This includes all domestic loans that can be sold to the Agencies, which are valued predominantly by published forward agency prices. This will also include all nonagency domestic loans or international loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. As these valuations are derived from quoted market prices, we classify these valuations as Level 2 in the fair value disclosures. As of June 30, 2010, and December 31, 2009, 83% and 52%, respectively, of the mortgage loans held-for-sale currently being carried at fair value were classified as Level 2.

*Loans valued using internal models* To the extent observable market prices are not available, we will determine the fair value of loans held-for-sale using internally developed valuation models. These valuation models estimate the exit price we expect to receive in the loan s principal market, which depending on characteristics of the loan may be the whole-loan or securitization market. Although we utilize and give priority to market observable inputs such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, the generation of these internal inputs requires the use of judgment and can have a significant impact on the determination of the loan s fair value. Accordingly, we classify these valuations as Level 3 in the fair value disclosures. As of June 30, 2010, and December 31, 2009, 17% and 48%, respectively, of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 3.

Due to limited sales activity and periodically unobservable prices in certain markets, certain loans held-for-sale may transfer between Level 2 and Level 3 in future periods.

- ***Consumer mortgage finance receivables and loans, net of unearned income*** We elected the fair value option for certain consumer mortgage finance receivables and loans. The elected loans collateralized on-balance sheet securitization debt in which we estimated credit reserves pertaining to securitized assets that could have exceeded or already had exceeded our economic exposure. The elected loans represent a portion of the consumer finance receivable and loans on the Consolidated Balance Sheet. The balance that was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

The mortgage loans that collateralized securitization debt are legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach or an in-use premise. Values of loans held on an in-use basis may differ considerably from loans held-for-sale that can be sold in the whole-loan

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

market. This difference arises primarily due to the liquidity of the asset- and mortgage-backed securitization market and is evident in the fact that spreads applied to lower rated asset- and mortgage-backed securities are considerably wider than spreads observed on senior bonds classes and in the whole-loan market. The objective in fair valuing the loans and related securitization debt is to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds are expected to be volatile. Since this approach involves the use of significant unobservable inputs, we classified all the mortgage loans elected under the fair value option as Level 3, as of June 30, 2010, and December 31, 2009. Consumer finance receivables and loans accounted for 8% and 4% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

***Commercial finance receivables and loans, net of unearned income*** We evaluate our commercial finance receivables and loans, net of unearned income, for impairment. We generally base the evaluation on the fair value of the underlying collateral supporting the loans when expected to be the sole source of repayment. When the carrying value exceeds the fair value of the collateral, an impairment loss is recognized and reflected as a nonrecurring fair value measurement. As of June 30, 2010, 5% and 95% of the impaired commercial finance receivables and loans were classified as Level 2 and Level 3, respectively. As of December 31, 2009, 6% and 94% of the impaired commercial finance receivables and loans were classified as Level 2 and Level 3, respectively. Commercial finance receivables and loans accounted for 3% and 4% of all assets reported at fair value at June 30, 2010, and December 31, 2009.

***Mortgage servicing rights*** We typically retain MSRs when we sell assets into the secondary market. MSRs currently do not trade in an active market with observable prices; therefore, we use internally developed discounted cash flow models (an income approach) to estimate the fair value of MSRs. 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 rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. All MSRs were classified as Level 3 at June 30, 2010, and December 31, 2009. MSRs accounted for 10% of all assets reported at fair value at both June 30, 2010, and December 31, 2009.

***Interests retained in financial asset sales*** Interests retained in financial asset sales are carried at fair value. The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). All interests retained were classified as Level 3 at June 30, 2010, and December 31, 2009. Interests retained in financial assets sales accounted for 2% and less than 1% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.

***Derivative instruments*** We manage risk through our balance of loan production and servicing businesses while using financial instruments (including derivatives) to manage risk related specifically to the value of loans held-for-sale, loans held-for-investment, MSRs, foreign currency debt; and we enter into interest rate swaps to facilitate transactions where the underlying receivables are sold to a nonconsolidated entity. Refer to Note 15 for additional information regarding the gains and losses recognized on the fair value of economic hedges within the Consolidated Statement of Income.

We enter into a variety of derivative financial instruments as part of our hedging strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, or traded within highly active dealer markets, such as agency to-be-announced securities. To determine the fair value of these instruments, we utilize the exchange price

Table of Contents

**ALLY FINANCIAL INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

or dealer market price for the particular derivative contract; therefore, we classified these contracts as Level 1. We classified 4% of the derivative assets and 10% of the derivative liabilities reported at fair value as Level 1 at June 30, 2010. We classified 7% of the derivative assets and 9% of the derivative liabilities reported at fair value as Level 1 at December 31, 2009.

We also execute over-the-counter derivative contracts, such as interest rate swaps, floors, caps, corridors, and swaptions. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are entered into the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable. We classified 90% of the derivative assets and 85% of the derivative liabilities reported at fair value as Level 2 at June 30, 2010. We classified 77% of the derivative assets and 73% of the derivative liabilities reported at fair value as Level 2 at December 31, 2009.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative s notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. We classified 6% of the derivative assets and 5% of the derivative liabilities reported at fair value as Level 3 at June 30, 2010. We classified 16% of the derivative assets and 18% of the derivative liabilities reported at fair value as Level 3 at December 31, 2009.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA). The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty. The CVA calculates the probable or potential future exposure on the derivative under different interest and currency exchange rate environments using simulation tools. For each simulation, a CVA is calculated using either our credit default spread or the default spread of the counterparty and, in both cases, the potential exposure of the simulation.

Derivative assets accounted for 16% and 8% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively. Derivative liabilities accounted for 59% of all liabilities reported at fair value at both June 30, 2010, and December 31, 2009.

***Derivative collateral placed with counterparties*** Collateral in the form of investment securities are primarily carried at fair value using quoted prices in active markets for similar assets. We classified 100% and 96% of securities posted as collateral as Level 1 at June 30, 2010, and December 31, 2009, respectively. Securities posted as collateral accounted for less than 1% and 2% of all assets reported at fair value at June 30, 2010, and December 31, 2009, respectively.

***Repossessed and foreclosed assets*** Foreclosed on or repossessed assets resulting from loan defaults are carried at the lower of either cost or fair value less costs to sell and are included in other assets on the Consolidated Balance Sheet. The fair value disclosures include only assets carried at fair value less costs to sell.

The majority of assets acquired due to default are foreclosed assets. We revalue foreclosed assets on a periodic basis. We classified properties that are valued by independent third-party appraisals less costs to sell as Level 2. When third-party appraisals are not obtained, valuations are typically obtained from third-party broker price opinion; however, depending on the circumstances, the property list price or other sales price information may be used in lieu of a broker price opinion. Based on historical experience, we adjust these values downward to take into account damage and other factors that typically cause the actual liquidation value of foreclosed properties to be less than broker price opinion or other price sources. This valuation adjustment is necessary to ensure the valuation ascribed to these assets considers unique factors and circumstances surrounding the foreclosed asset. As a result of applying internally developed adjustments to the third-party-provided valuation of the foreclosed property, we

48

**ALLY FINANCIAL INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

classified these assets as Level 3 in the fair value disclosures. As of June 30, 2010, we classified 38% and 62% of foreclosed and repossessed properties carried at fair value less costs to sell as Level 2 and Level 3, respectively. As of December 31, 2009, we classified 51% and 49% of foreclosed and repossessed properties carried at fair value less costs to sell as Level 2 and Level 3, respectively. Repossessed and foreclosed assets account for less than 1% of all assets reported at fair value at both June 30, 2010, and December 31, 2009.

***On-balance sheet securitization debt*** We elected the fair value option for certain mortgage loans held-for-investment and on-balance sheet securitization debt. In particular, we elected the fair value option on securitization debt issued by domestic on-balance sheet securitization vehicles as of January 1, 2008, in which we estimated credit reserves pertaining to securitized assets could have exceeded or already had exceeded our economic exposure. The objective in measuring the loans and related securitization debt at fair value was to approximate our retained economic interest and economic exposure to the collateral securing the securitization debt. The remaining on-balance sheet securitization debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

We value securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt is principally in the form of asset- and mortgage-backed securities collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments are typically not available. In these situations, we consider observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilize other market observable inputs, such as interest rates, and internally derived inputs including prepayment speeds, credit losses, and discount rates. Fair value option elected financing securitization debt is classified as Level 3 as a result of the reliance on significant assumptions and estimates for model inputs. On-balance sheet securitization debt accounted for 41% of all liabilities reported at fair value at both June 30, 2010, and December 31, 2009. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for a complete description of these securitizations.

**Table of Contents**

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

***Recurring Fair Value***

The following tables display the assets and liabilities measured at fair value on a recurring basis including financial instruments elected for the fair value option. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities.

| | **Recurring fair value measurements** | | | |
|---|---|---|---|---|
| June 30, 2010 *($ in millions)* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| Trading securities | | | | |
| U.S. Treasury and federal agencies | **$ 75** | **$** | **$** | **$ 75** |
| Mortgage-backed | | | | |
| Residential | | **1** | **46** | **47** |
| Asset-backed | | | **87** | **87** |
| Total trading securities | **75** | **1** | **133** | **209** |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| U.S. Treasury and federal agencies | **3,452** | **581** | | **4,033** |
| States and political subdivisions | | **7** | | **7** |
| Foreign government | **952** | **273** | | **1,225** |
| Mortgage-backed | | | | |
| Residential | | **3,496** | **2** | **3,498** |
| Asset-backed | | **1,692** | **8** | **1,700** |
| Corporate debt securities | | **1,302** | | **1,302** |
| Other | | **1** | | **1** |
| Total debt securities | **4,404** | **7,352** | **10** | **11,766** |
| Equity securities | **944** | | | **944** |
| Total available-for-sale securities | **5,348** | **7,352** | **10** | **12,710** |
| Mortgage loans held-for-sale (a) | | **4,167** | | **4,167** |
| Consumer mortgage finance receivables and loans, net of unearned income (a) | | | **2,345** | **2,345** |
| Mortgage servicing rights | | | **2,983** | **2,983** |
| Other assets | | | | |
| Cash reserve deposits held-for-securitization trusts | | | **2** | **2** |
| Interests retained in financial asset sales | | | **465** | **465** |
| Fair value of derivative contracts in receivable position | | | | |
| Interest rate contracts | **202** | **3,908** | **267** | **4,377** |
| Foreign currency contracts | | **471** | | **471** |
| Total fair value of derivative contracts in receivable position | **202** | **4,379** | **267** | **4,848** |
| Derivative collateral placed with counterparties | **142** | | | **142** |
| Total assets | **$ 5,767** | **$ 15,899** | **$ 6,205** | **$ 27,871** |

| | | | | |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Secured debt | | | | |
| On-balance sheet securitization debt (a) | **$** | **$** | **$ (2,178)** | **$ (2,178)** |
| Accrued expenses and other liabilities | | | | |
| Fair value of derivative contracts in liability position | | | | |
| Interest rate contracts | **(319)** | **(2,332)** | **(162)** | **(2,813)** |
| Foreign currency contracts | | **(365)** | | **(365)** |
| Total fair value of derivative contracts in liability position | **(319)** | **(2,697)** | **(162)** | **(3,178)** |
| Total liabilities | **$ (319)** | **$ (2,697)** | **$ (2,340)** | **$ (5,356)** |

(a) Carried at fair value due to fair value option elections.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | Recurring fair value measurements | | | |
|---|---|---|---|---|
| December 31, 2009 *($ in millions)* | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Trading securities | | | | |
| Mortgage-backed | | | | |
| Residential | $ | $ 44 | $ 99 | $ 143 |
| Asset-backed | | | 596 | 596 |
| Total trading securities | | 44 | 695 | 739 |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| U.S. Treasury and federal agencies | 1,989 | 1,521 | | 3,510 |
| States and political subdivisions | | 811 | | 811 |
| Foreign government | 911 | 262 | | 1,173 |
| Mortgage-backed | | | | |
| Residential | | 3,455 | 6 | 3,461 |
| Asset-backed | | 985 | 20 | 1,005 |
| Corporate debt securities | 2 | 1,471 | | 1,473 |
| Other | 47 | | | 47 |
| Total debt securities | 2,949 | 8,505 | 26 | 11,480 |
| Equity securities | 671 | 4 | | 675 |
| Total available-for-sale securities | 3,620 | 8,509 | 26 | 12,155 |
| Mortgage loans held-for-sale (a) | | 5,545 | | 5,545 |
| Consumer mortgage finance receivables and loans, net of unearned income (a) | | | 1,303 | 1,303 |
| Mortgage servicing rights | | | 3,554 | 3,554 |
| Other assets | | | | |
| Cash reserve deposits held-for-securitization trusts | | | 31 | 31 |
| Interests retained in financial asset sales | | | 471 | 471 |
| Fair value of derivative contracts in receivable position | 184 | 2,035 | 435 | 2,654 |
| Derivative collateral placed with counterparties | 808 | 37 | | 845 |
| Total assets | $ 4,612 | $ 16,170 | $ 6,515 | $ 27,297 |
| **Liabilities** | | | | |
| Secured debt | | | | |
| On-balance sheet securitization debt (a) | $ | $ | $ (1,294) | $ (1,294) |
| Accrued expenses and other liabilities | | | | |
| Fair value of derivative contracts in liability position | (172) | (1,391) | (332) | (1,895) |
| Total liabilities | $ (172) | $ (1,391) | $ (1,626) | $ (3,189) |

(a) Carried at fair value due to fair value option elections.

**Table of Contents**

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers into or out of any hierarchy levels, if any (including any transfers shown in the following tables), are recognized as of the end of the reporting period in which the transfer occurred. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

| | Level 3 recurring fair value measurements | | | | | |
|---|---|---|---|---|---|---|
| | | Net realized/unrealized gains (losses) | | | | |
| *($ in millions)* | Fair value as of April 1, 2010 | included in earnings | included in other comprehensive income | Purchases, issuances, and settlements, net | Fair value as of June 30, 2010 | Net unrealized gains (losses) included in earnings still held as of June 30, 2010 |
| **Assets** | | | | | | |
| Trading securities | | | | | | |
| Mortgage-backed | | | | | | |
| Residential | $ 54 | $ (4)(a) | $ | $ (4) | $ 46 | $ 2 (a) |
| Asset-backed | 89 | | (2) | | 87 | |
| Total trading securities | 143 | (4) | (2) | (4) | 133 | 2 |
| Investment securities | | | | | | |
| Available-for-sale securities | | | | | | |
| Debt securities | | | | | | |
| Mortgage-backed | | | | | | |
| Residential | 3 | | (1) | | 2 | |
| Asset-backed | 13 | | | (5) | 8 | |
| Total debt securities | 16 | | (1) | (5) | 10 | |
| Consumer mortgage finance receivables and loans, net of unearned income (b) | 2,572 | 375 (c) | | (602) | 2,345 | 166 (c) |
| Mortgage servicing rights | 3,543 | (748)(d) | | 188 | 2,983 | (748)(d) |
| Other assets | | | | | | |
| Cash reserve deposits held-for-securitization trusts | 2 | | | | 2 | |
| Interests retained in financial asset sales | 411 | 30 (e) | | 24 | 465 | 4 (e) |
| Fair value of derivative contracts in receivable (liability) position, net Interest rate contracts, net | 4 | 136 (f) | | (35) | 105 | 196 (f) |
| Total assets | $ 6,691 | $ (211) | $ (3) | $ (434) | $ 6,043 | $ (380) |
| **Liabilities** | | | | | | |
| Secured debt | | | | | | |
| On-balance sheet securitization debt (b) | $ (2,384) | $ (361)(c) | $ | $ 567 | $ (2,178) | $ (201)(c) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total liabilities | **$ (2,384)** | **$ (361)** | **$** | **$ 567** | **$ (2,178)** | **$ (201)** |

(a) The fair value adjustment was reported as other gain (loss) on investments, net, and the related interest was reported as interest and dividends on investment securities in the Consolidated Statement of Income.
(b) Carried at fair value due to fair value option elections.
(c) Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
(d) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.
(e) Reported as other income, net of losses, in the Consolidated Statement of Income.
(f) Refer to Note 15 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | Level 3 recurring fair value measurements | | | | | |
|---|---|---|---|---|---|---|
| | | Net realized/unrealized gains (losses) | | | | Net unrealized gains (losses) included |
| *($ in millions)* | Fair value as of January 1, 2010 | included in earnings | included in other comprehensive income | Purchases, issuances, and settlements, net | Fair value as of June 30, 2010 | in earnings still held as of June 30, 2010 |
| **Assets** | | | | | | |
| Trading securities | | | | | | |
| Mortgage-backed | | | | | | |
| Residential | $ 99 | $ | $ | $ (53) | $ 46 | $ 11 (a) |
| Asset-backed | 596 | | | (509) | 87 | |
| Total trading securities | 695 | | | (562) | 133 | 11 |
| Investment securities | | | | | | |
| Available-for-sale securities | | | | | | |
| Debt securities | | | | | | |
| Mortgage-backed | | | | | | |
| Residential | 6 | | (1) | (3) | 2 | |
| Asset-backed | 20 | | | (12) | 8 | |
| Total debt securities | 26 | | (1) | (15) | 10 | |
| Consumer mortgage finance receivables and loans, net of unearned income (b) | 1,303 | 788 (c) | | 254 | 2,345 | 368 (c) |
| Mortgage servicing rights | 3,554 | (944)(d) | | 373 | 2,983 | (944)(d) |
| Other assets | | | | | | |
| Cash reserve deposits held-for-securitization trusts | 31 | | | (29) | 2 | |
| Interests retained in financial asset sales | 471 | 33 (e) | | (39) | 465 | 6 (e) |
| Fair value of derivative contracts in receivable (liability) position, net | | | | | | |
| Interest rate contracts, net | 103 | (9)(f) | | 11 | 105 | 139 (f) |
| Total assets | $ 6,183 | $ (132) | $ (1) | $ (7) | $ 6,043 | $ (420) |
| **Liabilities** | | | | | | |
| Secured debt | | | | | | |
| On-balance sheet securitization debt (b) | $ (1,294) | $ (774)(c) | $ | $ (110) | $ (2,178) | $ (442)(c) |
| Total liabilities | $ (1,294) | $ (774) | $ | $ (110) | $ (2,178) | $ (442) |

(a) The fair value adjustment was reported as other gain (loss) on investments, net, and the related interest was reported as interest and dividends on investment securities in the Consolidated Statement of Income.
(b) Carried at fair value due to fair value option elections.
(c)

Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.

(d) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

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

(f) Refer to Note 15 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

Table of Contents

**ALLY FINANCIAL INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

| | Level 3 recurring fair value measurements | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Net realized/unrealized gains (losses) | | | | | Net unrealized gains (losses) included in earnings still held as of June 30, 2009 |
| *($ in millions)* | Fair value as of April 1, 2009 | included in earnings | included in other comprehensive income | Purchases, issuances, and settlements, net | Net transfers into/ (out of) Level 3 | Fair value as of June 30, 2009 | |
| **Assets** | | | | | | | |
| Trading securities | | | | | | | |
| Mortgage-backed | | | | | | | |
| Residential | $ 172 | $ (52)(a) | $ | $ (9) | $ 19 | $ 130 | $ (36)(a) |
| Asset-backed | 534 | 75 (a) | 7 | (12) | | 604 | (205)(a) |
| Total trading securities | 706 | 23 | 7 | (21) | 19 | 734 | (241) |
| Investment securities | | | | | | | |
| Available-for-sale securities | | | | | | | |
| Debt securities | | | | | | | |
| Mortgage-backed | | | | | | | |
| Residential | 2 | | (5) | | 7 | 4 | |
| Asset-backed | 409 | 2 (a) | 2 | | | 413 | (4)(a) |
| Equity securities | 22 | | 1 | | (23) | | |
| Total available-for-sale securities | 433 | 2 | (2) | | (16) | 417 | (4) |
| Consumer mortgage finance receivables and loans, net of unearned income (b) | 1,663 | 321 (c) | | (396) | | 1,588 | 190 (c) |
| Mortgage servicing rights | 2,587 | 678 (d) | | 244 | | 3,509 | 683 (d) |
| Other assets | | | | | | | |
| Cash reserve deposits held-for-securitization trusts | 30 | 2 (e) | | 1 | | 33 | (109)(e) |
| Interests retained in financial asset sales | 822 | 4 (e) | 4 | (168) | | 662 | (e) |
| Fair value of derivative contracts in receivable (liability) position, net | 319 | 78 (f) | | (249) | 77 | 225 | 288 (f) |
| Total assets | $ 6,560 | $ 1,108 | $ 9 | $ (589) | $ 80 | $ 7,168 | $ 807 |
| **Liabilities** | | | | | | | |
| Secured debt | | | | | | | |
| On-balance sheet securitization debt (b) | $ (1,676) | $ (308)(c) | $ | $ 410 | $ | $ (1,574) | $ (189)(c) |
| Total liabilities | $ (1,676) | $ (308) | $ | $ 410 | $ | $ (1,574) | $ (189) |

(a)

The fair value adjustment was reported as other gain (loss) on investments, net, and the related interest was reported as interest and dividends on investment securities in the Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections.

(c) Refer to next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.

(d) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.

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

(f) Refer to Note 15 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | Level 3 recurring fair value measurements | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Net realized/unrealized gains (losses) | | | | | |
| *($ in millions)* | Fair value as of January 1, 2009 | included in earnings | included in other comprehensive income | Purchases, issuances, and settlements, net | Net transfers into/ (out of) Level 3 | Fair value as of June 30, 2009 | Net unrealized gains (losses) included in earnings still held as of June 30, 2009 |
| **Assets** | | | | | | | |
| Trading securities | | | | | | | |
| Mortgage-backed | | | | | | | |
| Residential | $ 174 | $ (53)(a) | $ | $ (10) | $ 19 | $ 130 | $ (41)(a) |
| Asset-backed | 546 | 70 (a) | 5 | (17) | | 604 | (482)(a) |
| Total trading securities | 720 | 17 | 5 | (27) | 19 | 734 | (523) |
| Investment securities | | | | | | | |
| Available-for-sale securities | | | | | | | |
| Debt securities | | | | | | | |
| Mortgage-backed | | | | | | | |
| Residential | 2 | | (5) | | 7 | 4 | |
| Asset-backed | 607 | 2 (a) | 3 | (199) | | 413 | (8)(a) |
| Equity securities | 22 | | 1 | | (23) | | |
| Total available-for-sale securities | 631 | 2 | (1) | (199) | (16) | 417 | (8) |
| Consumer mortgage finance receivables and loans, net of unearned income (b) | 1,861 | 509 (c) | | (782) | | 1,588 | 248 (c) |
| Mortgage servicing rights | 2,848 | 322 (d) | | 339 | | 3,509 | 335 (d) |
| Other assets | | | | | | | |
| Cash reserve deposits held-for-securitization trusts | 41 | (4)(e) | (1) | (3) | | 33 | (221)(e) |
| Interests retained in financial asset sales | 1,001 | (65)(e) | 4 | (278) | | 662 | 4 (e) |
| Fair value of derivative contracts in receivable (liability) position, net | 149 | 402 (f) | (5) | (466) | 145 | 225 | 876 (f) |
| Total assets | $ 7,251 | $ 1,183 | $ 2 | $ (1,416) | $ 148 | $ 7,168 | $ 711 |
| **Liabilities** | | | | | | | |
| Secured debt | | | | | | | |
| On-balance sheet securitization debt (b) | $ (1,899) | $ (444)(c) | $ | $ 769 | $ | $ (1,574) | $ (224)(c) |
| Total liabilities | $ (1,899) | $ (444) | $ | $ 769 | $ | $ (1,574) | $ (224) |

(a) The fair value adjustment was reported as other gain (loss) on investments, net, and the related interest was reported as interest and dividends on investment securities in the Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections.
(c) Refer to next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
(d) Fair value adjustment was reported as servicing asset valuation and hedge activities, net, in the Consolidated Statement of Income.
(e) Reported as other income, net of losses, in the Consolidated Statement of Income.
(f) Refer to Note 15 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

***Nonrecurring Fair Value***

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower of cost or fair value accounting or certain impairment measures under GAAP. These items would constitute nonrecurring fair value measures.

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis and held at June 30, 2010 and 2009.

| June 30, 2010 (*$ in millions*) | Nonrecurring fair value measures Level 1 | Level 2 | Level 3 | Total | Lower of cost or fair value or valuation reserve allowance | Total gains (losses) included in earnings for the three months ended | Total gains (losses) included in earnings for the six months ended |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Loans held-for-sale (a) | | | | | | | |
| Automotive | $ | $ | $ 295 | $ 295 | $ (96) | n/m (b) | n/m (b) |
| Mortgage | | | 835 | 835 | (61) | n/m (b) | n/m (b) |
| Total loans held-for-sale | | | 1,130 | 1,130 | (157) | n/m (b) | n/m (b) |
| Commercial finance receivables and loans, net of unearned income (c) | | | | | | | |
| Automotive | | | 379 | 379 | (81) | n/m (b) | n/m (b) |
| Mortgage | | 44 | 65 | 109 | (59) | n/m (b) | n/m (b) |
| Other | | | 486 | 486 | (161) | n/m (b) | n/m (b) |
| Total commercial finance receivables and loans, net of unearned income | | 44 | 930 | 974 | (301) | | |
| Other assets | | | | | | | |
| Real estate and other investments (d) | | 23 | | 23 | n/m (e) | $ 1 | $ 2 |
| Repossessed and foreclosed assets, net (f) | | 44 | 73 | 117 | (29) | n/m (b) | n/m (b) |
| Total assets | $ | $ 111 | $ 2,133 | $ 2,244 | $ (487) | $ 1 | $ 2 |

n/m = not meaningful

(a) Represents assets held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only assets with fair values below cost as of June 30, 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
(b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
(c) Represents the portion of the portfolio impaired as of June 30, 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
(d) Represents assets impaired as of June 30, 2010. The total loss included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the three months and six months ended June 30, 2010.
(e) The total loss included in earnings is the most relevant indicator of the impact on earnings.

(f) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| June 30, 2009 *($ in millions)* | Nonrecurring fair value measures Level 1 | Level 2 | Level 3 | Total | Lower of cost or fair value or valuation reserve allowance | Total gains (losses) included in earnings for the three months ended | Total gains (losses) included in earnings for the six months ended |
|---|---|---|---|---|---|---|---|
| Assets | | | | | | | |
| Loans held-for-sale (a) | $ | $ 269 | $ 506 | $ 775 | $ (725) | n/m (b) | n/m (b) |
| Commercial finance receivables and loans, net of unearned income (c) | | 397 | 2,587 | 2,984 | (1,199) | $ (d) | $ (87)(d) |
| Other assets | | | | | | | |
| Real estate and other investments (e) | | 129 | | 129 | n/m (f) | 5 | 6 |
| Repossessed and foreclosed assets, net (g) | | 205 | 123 | 328 | (107) | n/m (b) | n/m (b) |
| Goodwill (h) | | | | | n/m (f) | (607) | (607) |
| Total assets | $ | $ 1,000 | $ 3,216 | $ 4,216 | $ (2,031) | $ (602) | $ (688) |

n/m = not meaningful

(a) Represents assets held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only assets with fair values below cost as of June 30, 2009. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
(b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
(c) Represents the portion of the commercial portfolio impaired as of June 30, 2009. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
(d) Represents losses recognized on the impairment of our resort finance business, which provided debt capital to resort and timeshare developers. Refer to footnote (b) for information related to the other commercial finance receivables and loans, net of unearned income, for which impairment was recognized.
(e) Represents assets impaired as of June 30, 2009. The total loss included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the three months and six months ended June 30, 2009.
(f) The total loss included in earnings is the most relevant indicator of the impact on earnings.
(g) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value less costs to sell.
(h) Represents goodwill impaired as of June 30, 2009. The impairment related to a reporting unit within our Insurance operations.

**Fair Value Option for Financial Assets and Financial Liabilities**

On January 1, 2008, we elected to measure at fair value certain consumer mortgage finance receivables and loans and the related debt held in the financing securitization structures that existed. During the three months ended September 30, 2009, we also elected the fair value option for government- and agency-eligible mortgage loans held-for-sale funded after July 31, 2009. As of January 1, 2010, we elected the fair value option for all mortgage securitization structures that were required to be consolidated due to the adoption of ASU 2009-17. Refer to Note 1 for additional information related to the adoption. Our intent in electing fair value for all these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

A description of the financial assets and liabilities elected to be measured at fair value is as follows.

***On-balance sheet securitizations*** We executed certain domestic securitizations that did not meet certain sale criteria. As part of these domestic on-balance sheet securitizations, we typically retained the economic residual interest in the securitization. The economic residual entitles us to excess cash flows that remain at each distribution date after absorbing any credit losses in the securitization. Because sale treatment was not achieved, the mortgage loan collateral remained on the balance sheet and was classified as consumer

finance receivable and loans; the securitization s debt was classified as secured debt; and the economic residuals were not carried on the balance sheet. After execution of the securitizations, we were required under GAAP to continue recording an allowance for loan losses on these held-for-investment loans.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

As a result of market conditions and deteriorating credit performance of domestic mortgages, our economic exposure on certain of these domestic on-balance sheet securitizations was reduced to zero or approximating zero, thus indicating we expected minimal to no future cash flows to be received on the economic residual. While we no longer were economically exposed to credit losses in the securitizations, we were required to continue recording additional allowance for loan losses on the securitization collateral as credit performance deteriorated. Further, in accordance with GAAP, we did not record any offsetting reduction in the securitization s debt balances, even though any nonperformance of the assets would ultimately pass through as a reduction of the amount owed to the debt holders once they are contractually extinguished. As a result, we were required to record accounting losses beyond our economic exposure.

To mitigate the divergence between accounting losses and economic exposure, we elected the fair value option for a portion of the domestic on-balance sheet securitizations. In particular, we elected the fair value option for domestic on-balance sheet securitization vehicles in which we estimated that the credit reserves pertaining to securitized assets could have exceeded or already had exceeded our economic exposure. The fair value option election was made at a securitization level; thus the election was made for both the consumer mortgage finance receivables and loans and the related portion of on-balance sheet securitized debt for these particular securitizations.

We carry the fair value-elected loans as consumer finance receivable and loans, net of unearned income, on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless the loans are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. We classified the fair value adjustment recorded for the loans as other income, net of losses, in the Consolidated Statement of Income.

We continued to record the fair value-elected debt balances as secured debt on the Consolidated Balance Sheet. Our policy is to separately record interest expense on the fair value-elected securitization debt, which continues to be classified as interest expense in the Consolidated Statement of Income. We classified the fair value adjustment recorded for this fair value-elected debt as other income, net of losses, in the Consolidated Statement of Income.

***Government- and agency-eligible loans*** During the three months ended September 31, 2009, we elected the fair value option for government and agency eligible mortgage loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were government- and agency-eligible loans funded on or prior to July 31, 2009, and those repurchased or rerecognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and rerecognized government- and agency-eligible loans were not elected because the election will not mitigate earning volatility. We repurchase or rerecognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carry the fair value-elected government- and agency-eligible loans as loans held-for-sale on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. Upfront fees and costs related to the fair value-elected loans were not deferred or capitalized. The fair value adjustment recorded for these loans is classified as gain (loss) on mortgage loans, net, in the Consolidated Statement of Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold under government programs or to the agencies.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables summarize the fair value option elections and information regarding the amounts recorded as earnings for each fair value option-elected item.

| | Changes included in the Consolidated Statement of Income for the three months ended June 30, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| *($ in millions)* | **Consumer financing revenue** | **Loans held-for-sale revenue** | **Total interest expense** | **Gain on mortgage loans, net** | **Other income, net of losses** | **Total included in earnings** | **Change in fair value due to credit risk (a)** |
| **Assets** | | | | | | | |
| Mortgage loans held-for-sale | **$** | **$ 36** | **$** | **$ 225** | **$** | **$ 261** | **$ (b)** |
| Consumer mortgage finance receivables and loans, net of unearned income | **159** | | | | **215** | **374** | **(35)(c)** |
| **Liabilities** | | | | | | | |
| Secured debt | | | | | | | |
| On-balance sheet securitization debt | **$ (18)** | **$** | **$ (71)** | **$** | **$ (271)** | **$ (360)** | **$ 34 (d)** |
| Total | | | | | | **$ 275** | |

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
(c) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(d) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

| | Changes included in the Consolidated Statement of Income for the six months ended June 30, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| *($ in millions)* | **Consumer financing revenue** | **Loans held-for-sale revenue** | **Total interest expense** | **Gain on mortgage loans, net** | **Other income, net of losses** | **Total included in earnings** | **Change in fair value due to credit risk (a)** |
| **Assets** | | | | | | | |
| Mortgage loans held-for-sale | **$** | **$ 92** | **$** | **$ 409** | **$** | **$ 501** | **$ (b)** |
| Consumer mortgage finance receivables and loans, net of unearned income | **328** | | | | **459** | **787** | **(69)(c)** |
| **Liabilities** | | | | | | | |
| Secured debt | | | | | | | |
| On-balance sheet securitization debt | **$ (18)** | **$** | **$ (167)** | **$** | **$ (588)** | **$ (773)** | **$ 71 (d)** |
| Total | | | | | | **$ 515** | |

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
(c) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(d) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | Changes included in the Consolidated Statement of Income for the three months ended June 30, 2009 | | | | |
|---|---|---|---|---|---|
| *($ in millions)* | Consumer financing revenue | Total interest expense | Other income, net of losses | Total included in earnings | Change in fair value due to credit risk (a) |
| **Assets** | | | | | |
| Consumer mortgage finance receivables and loans, net of unearned income | $ 133 | $ | $ 188 | $ 321 | $ 22 (b) |
| **Liabilities** | | | | | |
| Secured debt | | | | | |
| On-balance sheet securitization debt | $ | $ (59) | $ (249) | $ (308) | $ 22 (c) |
| Total | | | | $ 13 | |

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(c) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

| | Changes included in the Consolidated Statement of Income for the six months ended June 30, 2009 | | | | |
|---|---|---|---|---|---|
| *($ in millions)* | Consumer financing revenue | Total interest expense | Other income, net of losses | Total included in earnings | Change in fair value due to credit risk (a) |
| **Assets** | | | | | |
| Consumer mortgage finance receivables and loans, net of unearned income | $ 276 | $ | $ 233 | $ 509 | $ (43)(b) |
| **Liabilities** | | | | | |
| Secured debt | | | | | |
| On-balance sheet securitization debt | $ | $ (119) | $ (325) | $ (444) | $ 84 (c) |
| Total | | | | $ 65 | |

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(c) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

Interest income on consumer mortgage finance receivables and loans is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due. Interest expense on the on-balance sheet securitization debt is measured by multiplying bond principal by the coupon rate and number of days of interest due to the investor.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables provide the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans and long-term debt instruments.

| June 30, 2010 *($ in millions)* | **Unpaid principal balance** | **Fair value (a)** |
|---|---|---|
| **Assets** | | |
| Mortgage loans held-for-sale | | |
| Total loans | **$ 3,976** | **$ 4,167** |
| Nonaccrual loans | **1** | **1** |
| Loans 90+ days past due (b) | | |
| Consumer mortgage finance receivables and loans, net of unearned income | | |
| Total loans | **9,501** | **2,345** |
| Nonaccrual loans | **2,556** | **(c)** |
| Loans 90+ days past due (b) | **1,601** | **(c)** |
| **Liabilities** | | |
| Secured debt | | |
| On-balance sheet securitization debt | **$ (9,479)** | **$ (2,178)** |

(a) Excludes accrued interest receivable.
(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance.
(c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. Unpaid principal balances were provided to allow assessment of the materiality of loans 90+ days past due and nonaccrual loans relative to total loans. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net of unearned income*.

| December 31, 2009 *($ in millions)* | Unpaid principal balance | Fair value |
|---|---|---|
| **Assets** | | |
| Mortgage loans held-for-sale | | |
| Total loans | $ 5,427 | $ 5,546 |
| Nonaccrual loans | 3 | 3 |
| Loans 90+ days past due (a) | | |
| Consumer mortgage finance receivables and loans, net of unearned income | | |
| Total loans | 7,180 | 1,303 |
| Nonaccrual loans | 2,343 | (b) |
| Loans 90+ days past due (a) | 1,434 | (b) |
| **Liabilities** | | |
| Secured debt | | |
| On-balance sheet securitization debt | $ (7,166) | $ (1,293) |

(a) Loans 90+ days past due are also presented within the nonaccrual loan balance and within the total loan balance.
(b) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. Unpaid principal balances were provided to allow assessment of the materiality of loans 90+ days past due and nonaccrual loans relative to total loans. For further discussion regarding the pooled basis, refer to the previous section of this note titled, *Consumer mortgage finance receivables and loans, net of unearned income*.

61

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of assets and liabilities that are considered financial instruments. Accordingly, items that do not meet the definition of a financial instrument are excluded from the table. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein is based on information available at June 30, 2010, and December 31, 2009.

| | **June 30, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| *($ in millions)* | **Carrying value** | **Fair value** | Carrying value | Fair value |
| Financial assets | | | | |
| Trading securities | **$ 209** | **$ 209** | $ 739 | $ 739 |
| Investment securities | **12,710** | **12,710** | 12,158 | 12,158 |
| Loans held-for-sale (a) | **10,382** | **9,580** | 20,625 | 19,855 |
| Finance receivables and loans, net | **90,339** | **88,343** | 75,256 | 72,213 |
| Fair value of derivative contracts in receivable position | **4,848** | **4,848** | 2,654 | 2,654 |
| Derivative collateral placed with counterparties (b) | **142** | **142** | 845 | 845 |
| Interests retained in financial asset sales | **465** | **465** | 471 | 471 |
| Financial liabilities | | | | |
| Debt (c) | **$ 92,796** | **$ 94,782** | $ 98,819 | $ 95,588 |
| Deposit liabilities (d) | **33,712** | **34,039** | 30,549 | 30,795 |
| Fair value of derivative contracts in liability position | **3,178** | **3,178** | 1,895 | 1,895 |

(a) The balance includes options to repurchase delinquent assets from certain off-balance securitizations and agency whole-loan sales. We are not exposed to the losses on these delinquent loans, unless we exercise the repurchase option. Until we exercise the option, the carrying value of these loans equals the unpaid principal balance and the fair value is based on internal valuation models. As a result, the carrying value (or unpaid principal balance) is greater than the fair value due to the underlying characteristics of the loans.
(b) Represents collateral in the form of investment securities.
(c) Debt includes deferred interest for zero-coupon bonds of $537 million and $506 million as of June 30, 2010, and December 31, 2009, respectively.
(d) The carrying value and fair value amounts exclude dealer deposits.

The following describes the methodologies and assumptions used to determine fair value for the respective classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market is not active and a transaction is not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not forced liquidation or distressed sale.

***Trading securities*** Refer to the previous section of this note titled *Trading securities* for a description of the methodologies and assumptions used to determine fair value.

***Investment securities*** Bonds, equity securities, notes, and other available-for-sale investment securities are carried at fair value. Refer to the previous section of this note titled *Available-for-sale securities* for a description of the methodologies and assumptions used to determine fair value. The fair value of the held-to-maturity investment securities is based on valuation models using market-based

assumption.

***Loans held-for-sale*** Refer to the previous sections of this note also titled *Loans held-for-sale* for a description of methodologies and assumptions used to determine fair value.

***Finance receivables and loans, net*** With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach). The carrying value of wholesale receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of wholesale receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.
For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach or an in-use premise to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the previous section in this note titled *Loans held-for-sale* for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

***Derivative assets and liabilities*** Refer to the previous section of this note titled *Derivative instruments* for a description of the methodologies and assumptions used to determine fair value.

***Derivative collateral placed with counterparties*** Derivative collateral placed with counterparties in the table above represents only collateral in the form of investment securities. Refer to the previous section of this note also titled *Derivative collateral placed with counterparties* for additional information.

***Interests retained in financial asset sales*** Interest retained in financial asset sales are carried at fair value. Refer to the previous sections of this note titled *Interests retained in financial asset sales* for a description of the methodologies and assumptions used to determine fair value.

***Debt*** The fair value of debt was determined using quoted market prices for the same or similar issues, if available, or was based on the current rates offered to us for debt with similar remaining maturities.

***Deposit liabilities*** Deposit liabilities represent certain consumer bank deposits as well as mortgage escrow deposits. The fair value of deposits with no stated maturity is equal to their carrying amount. The fair value of fixed-maturity deposits was estimated by discounting cash flows using currently offered rates for deposits of similar maturities.

**19. Variable Interest Entities**

We account for VIEs under the requirements of ASU 810, *Consolidation*. ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, which amended ASC 810, became effective on January 1, 2010, and upon adoption, we consolidated certain entities, including securitization trusts that were previously held off-balance sheet. As of January 1, 2010, we recognized a day-one net increase of $17.6 billion to assets and liabilities on our consolidated balance sheet. ($10.1 billion of the increase relates to operations classified as held-for-sale). Refer to Note 1 for additional information related to the adoption of ASU 2009-17. Refer to our Consolidated Balance Sheet for a detailed listing of the assets and liabilities of our consolidated VIEs as of June 30, 2010.

The following describes the VIEs that we consolidated or in which we had a significant variable interest. We had certain secured funding arrangements that were structured through consolidating entities, as described in further detail in Note 13.

***On-balance sheet securitization trusts*** We hold variable interests in certain securitization transactions that are VIEs. The nature of, purpose of, activities of, and our continuing involvement with the consolidated securitization trusts is virtually identical to those of our off-balance sheet securitization trusts, which are discussed in Note 9. As part of our securitizations, we typically retain servicing responsibilities. We also hold retained interests in these consolidated securitization trusts, which represent a continuing economic interest in the securitization. The retained interests include, but are not limited to, senior or subordinate mortgage- or asset-backed securities, interest-only strips, principal-only strips, and residuals. Certain of these retained interests provide credit enhancement to the securitization structure as they may absorb credit losses or other cash shortfalls. Additionally, the securitization

ALLY FINANCIAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

documents may require cash flows to be directed away from certain of our retained interests due to specific over collateralization requirements, which may or may not be performance-driven. Because the securitization trusts are consolidated, these retained interests are not recognized as a separate asset on our Consolidated Balance Sheet.

Prior to the adoption of ASU 2009-17, we were the primary beneficiary because we typically held the first loss position in these securitization transactions and, as a result, anticipated absorbing the majority of the expected losses of the VIE; thus, we consolidated these entities. Subsequent to adoption of ASU 2009-17, we are the primary beneficiary because we have a controlling financial interest in the VIE as we have both power over the VIE, primarily due to our servicing activities, and we hold a variable interest in the VIE. The assets of the consolidated securitization trusts totaled $49.4 billion and $38.4 billion at June 30, 2010, and December 31, 2009, respectively. The majority of the assets are included as finance receivables and loans, net of unearned interest, or assets of operations held-for-sale on the Consolidated Balance Sheet. The liabilities of these entities totaled $39.0 billion and $28.9 billion at June 30, 2010, and December 31, 2009, respectively. The majority of these liabilities were included as secured debt or liabilities of operations held-for-sale on the Consolidated Balance Sheet.

The assets of the securitization trusts generally are the sole source of repayment on the securitization trusts liabilities. The creditors of the securitization trusts do not have recourse to our general credit with the exception of the customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions as discussed in Note 30 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

***Servicing funding*** To assist in the financing of our servicing advance receivables, our Mortgage operations formed an SPE to issue term notes to third-party investors that are collateralized by servicing advance receivables. These servicing advance receivables were transferred to the SPE and consisted of delinquent principal and interest advances made by our Mortgage operations, as servicer, to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The SPE funds the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our Mortgage operations. Management determined that we were the primary beneficiary of the SPE and therefore consolidated the entity. The assets of this entity totaled $1.0 billion and $1.4 billion at June 30, 2010, and December 31, 2009, respectively, and were included in other assets on the Consolidated Balance Sheet. The liabilities of this entity totaled $1.0 billion at June 30, 2010, consisting of $779 million in third-party term notes that were included in debt on the Consolidated Balance Sheet and $270 million in affiliate payables to ResCap, which were eliminated in consolidation. The liabilities of this entity totaled $1.4 billion at December 31, 2009, consisting of $700 million in third-party term notes that were included in debt on the Consolidated Balance Sheet and $677 million in affiliate payables to ResCap that were eliminated in consolidation. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor did we provide noncontractual financial support to the entity during the three months ended June 30, 2010. On April 15, 2010, the terms of the facility were modified increasing the capacity to $858 million and extending the maturity to April 2011. A term note was issued for $508 million, and the existing variable funding note was reduced from $700 million to $350 million.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 20. Segment Information

Financial information for our reportable operating segments is summarized as follows.

| Three months ended June 30, ($ in millions) | Global Automotive Services (a) North American Automotive Finance operations | Global Automotive Services (a) International Automotive Finance operations (b) | Insurance operations | Mortgage operations (c) | Corporate and Other (d) | Consolidated (e) |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| Net financing revenue (loss) | **$ 889** | **$ 174** | **$** | **$ 154** | **$ (505)** | **$ 712** |
| Other revenue | **186** | **86** | **573** | **531** | **12** | **1,388** |
| Total net revenue (loss) | **1,075** | **260** | **573** | **685** | **(493)** | **2,100** |
| Provision for loan losses | **106** | **11** | | **92** | **11** | **220** |
| Other noninterest expense | **339** | **144** | **465** | **363** | **123** | **1,434** |
| Income (loss) from continuing operations before income tax expense (benefit) | **630** | **105** | **108** | **230** | **(627)** | **446** |
| Income tax expense (benefit) from continuing operations | **176** | **4** | **22** | **(2)** | **(167)** | **33** |
| Net income (loss) from continuing operations | **454** | **101** | **86** | **232** | **(460)** | **413** |
| Income (loss) from discontinued operations, net of tax | | **44** | **(4)** | **98** | **14** | **152** |
| Net income (loss) | **$ 454** | **$ 145** | **$ 82** | **$ 330** | **$ (446)** | **$ 565** |
| Total assets | **$ 74,146** | **$ 16,596** | **$ 8,552** | **$ 46,043** | **$ 31,465** | **$ 176,802** |
| **2009** | | | | | | |
| Net financing revenue (loss) | $ 729 | $ 189 | $ | $ 137 | $ (662) | $ 393 |
| Other revenue (loss) | 138 | 93 | 585 | (84) | 135 | 867 |
| Total net revenue (loss) | 867 | 282 | 585 | 53 | (527) | 1,260 |
| Provision for loan losses | 15 | 58 | | 871 | 173 | 1,117 |
| Other noninterest expense | 401 | 191 | 486 | 517 | 131 | 1,726 |
| Income (loss) from continuing operations before income tax expense (benefit) | 451 | 33 | 99 | (1,335) | (831) | (1,583) |
| Income tax expense (benefit) from continuing operations | 972 | 145 | 28 | (183) | 134 | 1,096 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net (loss) income from continuing operations | (521) | (112) | 71 | (1,152) | (965) | (2,679) |
| Income (loss) from discontinued operations, net of tax | | 3 | (586) | (639) | (2) | (1,224) |
| Net loss | $ (521) | $ (109) | $ (515) | $ (1,791) | $ (967) | $ (3,903) |
| Total assets | $ 64,040 | $ 25,597 | $ 11,588 | $ 44,401 | $ 35,622 | $ 181,248 |

(a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico. International operations consist of automotive financing and full-service leasing in all other countries.

(b) Amounts include intrasegment eliminations between North American operations, International operations, and Insurance operations.

(c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.

(d) Represents our Commercial Finance Group, certain equity investments, other corporate activities, the net impact from treasury asset liability management activities and reclassifications and eliminations between the reportable operating segments. At June 30, 2010, total assets were $2.4 billion for the Commercial Finance Group.

(e) Net financing revenue (loss) after the provision for loan losses totaled $492 million and $(724) million for the three months ended June 30, 2010 and 2009, respectively.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| Six months ended June 30, ($ in millions) | Global Automotive Services (a) North American Automotive Finance operations | International Automotive Finance operations (b) | Insurance operations | Mortgage operations (c) | Corporate and Other (d) | Consolidated (e) |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| Net financing revenue (loss) | **$ 1,802** | **$ 356** | **$** | **$ 336** | **$ (1,026)** | **$ 1,468** |
| Other revenue (loss) | **389** | **179** | **1,194** | **900** | **(176)** | **2,486** |
| Total net revenue (loss) | **2,191** | **535** | **1,194** | **1,236** | **(1,202)** | **3,954** |
| Provision for loan losses | **207** | **34** | | **99** | **26** | **366** |
| Other noninterest expense | **701** | **354** | **903** | **751** | **252** | **2,961** |
| Income (loss) from continuing operations before income tax expense (benefit) | **1,283** | **147** | **291** | **386** | **(1,480)** | **627** |
| Income tax expense (benefit) from continuing operations | **433** | **(9)** | **83** | **6** | **(444)** | **69** |
| Net income (loss) from continuing operations | **850** | **156** | **208** | **380** | **(1,036)** | **558** |
| Income (loss) from discontinued operations, net of tax | | **46** | **(5)** | **110** | **18** | **169** |
| Net income (loss) | **$ 850** | **$ 202** | **$ 203** | **$ 490** | **$ (1,018)** | **$ 727** |
| Total assets | **$ 74,146** | **$ 16,596** | **$ 8,552** | **$ 46,043** | **$ 31,465** | **$ 176,802** |
| **2009** | | | | | | |
| Net financing revenue (loss) | $ 1,590 | $ 328 | $ | $ 269 | $ (1,320) | $ 867 |
| Other revenue (loss) | 449 | 163 | 1,096 | (28) | 437 | 2,117 |
| Total net revenue (loss) | 2,039 | 491 | 1,096 | 241 | (883) | 2,984 |
| Provision for loan losses | 149 | 109 | | 1,432 | 173 | 1,863 |
| Other noninterest expense | 778 | 389 | 961 | 1,071 | 182 | 3,381 |
| Income (loss) from continuing operations before income tax expense (benefit) | 1,112 | (7) | 135 | (2,262) | (1,238) | (2,260) |
| Income tax expense (benefit) from continuing operations | 1,016 | 138 | 34 | (270) | 54 | 972 |
| Net income (loss) from continuing operations | 96 | (145) | 101 | (1,992) | (1,292) | (3,232) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Loss from discontinued operations, net of tax | | (2) | (566) | (770) | (8) | (1,346) |
| Net income (loss) | $ 96 | $ (147) | $ (465) | $ (2,762) | $ (1,300) | $ (4,578) |
| Total assets | $ 64,040 | $ 25,597 | $ 11,588 | $ 44,401 | $ 35,622 | $ 181,248 |

(a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico. International operations consist of automotive financing and full-service leasing in all other countries.

(b) Amounts include intrasegment eliminations between North American operations, International operations, and Insurance operations.

(c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.

(d) Represents our Commercial Finance Group, certain equity investments, other corporate activities, the net impact from treasury asset liability management activities and reclassifications and eliminations between the reportable operating segments. At June 30, 2010, total assets were $2.4 billion for the Commercial Finance Group.

(e) Net financing revenue (loss) after the provision for loan losses totaled $1,102 million and $(996) million for the six months ended June 30, 2010 and 2009, respectively.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 21. Subsequent Events

**Declaration of Quarterly Dividend Payments**

On July 14, 2010, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of $1.125 per share, or a total of $257 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, and a cash dividend of $17.31 per share, or a total of $45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G. The dividends are payable on August 16, 2010.

Table of Contents

## Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operation

### Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, our Consolidated Financial Statements, and the Notes to Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

| ($ in millions) | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|
| **Financial statement data** | | | | |
| Total financing revenue and other interest income | **$ 2,902** | $ 3,389 | **$ 6,019** | $ 6,916 |
| Interest expense | **1,664** | 1,940 | **3,369** | 3,936 |
| Depreciation expense on operating lease assets | **526** | 1,056 | **1,182** | 2,113 |
| Net financing revenue | **712** | 393 | **1,468** | 867 |
| Total other revenue | **1,388** | 867 | **2,486** | 2,117 |
| Total net revenue | **2,100** | 1,260 | **3,954** | 2,984 |
| Provision for loan losses | **220** | 1,117 | **366** | 1,863 |
| Total noninterest expense | **1,434** | 1,726 | **2,961** | 3,381 |
| Income (loss) from continuing operations before income tax expense (benefit) | **446** | (1,583) | **627** | (2,260) |
| Income tax expense from continuing operations (a) | **33** | 1,096 | **69** | 972 |
| Net income (loss) from continuing operations | **413** | (2,679) | **558** | (3,232) |
| Income (loss) from discontinued operations, net of tax | **152** | (1,224) | **169** | (1,346) |
| Net income (loss) | **$ 565** | $ (3,903) | **$ 727** | $ (4,578) |
| Total assets | **$ 176,802** | $ 181,248 | **$ 176,802** | $ 181,248 |
| Total debt | **$ 92,259** | $ 105,175 | **$ 92,259** | $ 105,175 |
| Total equity | **$ 20,773** | $ 26,046 | **$ 20,773** | $ 26,046 |
| **Financial ratios (b)** | | | | |
| Return on assets | | | | |
| Net income (loss) from continuing operations | **0.93%** | (5.99)% | **0.63%** | (3.56)% |
| Net income (loss) | **1.27%** | (8.73)% | **0.82%** | (5.04)% |
| Return on equity | | | | |
| Net income (loss) from continuing operations | **8.00%** | (43.02)% | **5.40%** | (26.94)% |
| Net income (loss) | **10.95%** | (62.67)% | **7.03%** | (38.16)% |
| Equity to assets ratio | **11.59%** | 13.93% | **11.61%** | 13.22% |
| **Regulatory capital ratios** | | | | |
| Tier 1 capital | **15.31%** | 13.64% | **15.31%** | 13.64% |
| Total risk-based capital | **16.84%** | 15.08% | **16.84%** | 15.08% |
| Tier 1 leverage | **12.64%** | 14.07% | **12.64%** | 14.07% |
| Tier 1 common | **5.24%** | 6.12% | **5.24%** | 6.12% |

(a) Effective June 30, 2009, we converted into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Refer to Note 16 to the Consolidated Financial Statements for additional information regarding our change in tax status.

(b) The 2010 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies.

Table of Contents

**Overview**

Ally is one of the world s largest automotive financial services companies with approximately $176.8 billion of assets at June 30, 2010. Founded in 1919 as a wholly owned subsidiary of General Motors Corporation (currently General Motors Company or GM), Ally is the official preferred source of financing for GM, Chrysler, Saab, Suzuki, and Thor Industries vehicles and offers a full suite of automotive financing products and services in key markets around the world. Our other business units include mortgage operations and commercial finance, and our subsidiary, Ally Bank, which offers online retail banking products. Ally also operates as a bank holding company. On December 24, 2008, we became a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act).

**Discontinued Operations**

During 2009, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and classified certain of these operations as discontinued. During 2010, the operations of our International Automotive Finance operations in Australia and Russia and our U.K. mortgage operations were classified as discontinued. For all periods presented, all of the operating results for these operations were removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for additional information regarding our discontinued operations.

Table of Contents

**Primary Lines of Business**

Global Automotive Services and Mortgage are our primary lines of business. The following table summarizes the operating results excluding discontinued operations of each line of business for the three months and six months ended June 30, 2010 and 2009. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **Favorable/ (unfavorable) % change** | **2010** | 2009 | **Favorable/ (unfavorable) % change** |
| Total net revenue (loss) | | | | | | |
| Global Automotive Services | | | | | | |
| North American Automotive Finance operations | **$ 1,075** | $ 867 | **24** | **$ 2,191** | $ 2,039 | **7** |
| International Automotive Finance operations | **260** | 282 | **(8)** | **535** | 491 | **9** |
| Insurance operations | **573** | 585 | **(2)** | **1,194** | 1,096 | **9** |
| Mortgage operations | **685** | 53 | **n/m** | **1,236** | 241 | **n/m** |
| Corporate and Other | **(493)** | (527) | **6** | **(1,202)** | (883) | **(36)** |
| Total | **$ 2,100** | $ 1,260 | **67** | **$ 3,954** | $ 2,984 | **33** |
| Income (loss) from continuing operations before income tax expense | | | | | | |
| Global Automotive Services | | | | | | |
| North American Automotive Finance operations | **$ 630** | $ 451 | **40** | **$ 1,283** | $ 1,112 | **15** |
| International Automotive Finance operations | **105** | 33 | **n/m** | **147** | (7) | **n/m** |
| Insurance operations | **108** | 99 | **9** | **291** | 135 | **116** |
| Mortgage operations | **230** | (1,335) | **117** | **386** | (2,262) | **117** |
| Corporate and Other | **(627)** | (831) | **25** | **(1,480)** | (1,238) | **(20)** |
| Total | **$ 446** | $ (1,583) | **128** | **$ 627** | $ (2,260) | **128** |
| Net income (loss) from continuing operations | | | | | | |
| Global Automotive Services | | | | | | |
| North American Automotive Finance operations | **$ 454** | $ (521) | **187** | **$ 850** | $ 96 | **n/m** |
| International Automotive Finance operations | **101** | (112) | **190** | **156** | (145) | **n/m** |
| Insurance operations | **86** | 71 | **21** | **208** | 101 | **106** |
| Mortgage operations | **232** | (1,152) | **120** | **380** | (1,992) | **119** |
| Corporate and Other | **(460)** | (965) | **52** | **(1,036)** | (1,292) | **20** |
| Total | **$ 413** | $ (2,679) | **115** | **$ 558** | $ (3,232) | **117** |

n/m = not meaningful

Our Global Automotive Services offer a wide range of financial services and products to retail automotive consumers, automotive dealerships, and other commercial businesses. Our Global Automotive Services consist of three separate reportable segments North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations. The products and services offered by our automotive finance services include the purchase of retail installment sales contracts and leases, offering of term loans to dealers, financing of dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. In addition, our

70

Table of Contents

automotive finance services utilize bank deposit funding at Ally Bank, asset securitizations, whole-loan sales through our forward flow agreements, and debt issuances, to the extent available, as components of our diversified funding strategy.

We also offer vehicle service contracts and selected commercial insurance coverages in the United States and internationally. We are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages. Our vehicle service contracts offer vehicle owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer s new vehicle warranty. Additionally, we provide commercial insurance primarily covering dealers wholesale vehicle inventory.

We have significantly streamlined our international presence in recent years to focus on strategic operations and improve financial performance. Our International Automotive Finance operations will focus the majority of originations in five core international markets: Germany, the United Kingdom, Brazil, Mexico, and our joint venture in China.

On July 13, 2010, we announced our intention to rebrand the GMAC consumer and dealer-related automotive finance operations in the United States, Canada, and Mexico and begin using the Ally name during the month of August 2010. The Ally brand will be used for automotive financing activities to support the following manufacturers: General Motors, Chrysler, Saab, Thor Industries, and FIAT Mexico. Our automotive finance operations outside of these three countries will continue to operate under the GMAC brand as options for further use of the brand are evaluated.

On April 5, 2010, we announced that we expanded our automotive finance operations to include recreation vehicles and were selected by Thor Industries as the preferred financial provider for their retail customers. During June 2010, we began accepting retail finance applications for new and used recreation vehicles from Thor dealers in certain high volume states. We expect to expand retail financing nationwide to all qualified dealers in Thor s U.S. network by the end of 2010.

On March 15, 2010, we announced that Spyker Cars N.V., which recently purchased Saab Automobile from General Motors, selected Ally as the preferred source of wholesale and retail financing for qualified Saab dealers and customers in North America and internationally.

On April 30, 2009, we entered into an agreement with Chrysler LLC (Chrysler) to provide 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, Mexico, and other international markets upon the mutual agreement of the parties. We provide dealer financing and services and 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 extends through April 30, 2013, with automatic one-year renewals unless either we or Chrysler provides sufficient notice of nonrenewal.

Our Mortgage operations engage in the origination, purchase, servicing, sale, and securitization of consumer (i.e., residential) mortgage loans and mortgage-related products. Mortgage operations include the Residential Capital, LLC (ResCap) legal entity, the mortgage operations of Ally Bank, and the Canadian mortgage operations of ResMor Trust. In response to market conditions, our Mortgage operations substantially eliminated production of loans that do not conform to the underwriting guidelines of Fannie Mae, Freddie Mac, and Ginnie Mae in the United States.

Corporate and Other consist of our Commercial Finance Group, certain equity investments, other corporate activities, the net impact of treasury asset liability management (ALM) activities, and reclassifications and eliminations between the reportable operating segments.

Table of Contents

**Consolidated Results of Operations**

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown.

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **Favorable/ (unfavorable) % change** | **2010** | 2009 | **Favorable/ (unfavorable) % change** |
| **Net financing revenue** | | | | | | |
| Total financing revenue and other interest income | **$ 2,902** | $ 3,389 | **(14)** | **$ 6,019** | $ 6,916 | **(13)** |
| Interest expense | **1,664** | 1,940 | **14** | **3,369** | 3,936 | **14** |
| Depreciation expense on operating lease assets | **526** | 1,056 | **50** | **1,182** | 2,113 | **44** |
| Net financing revenue | **712** | 393 | **81** | **1,468** | 867 | **69** |
| **Other revenue** | | | | | | |
| Net servicing income | **363** | 168 | **116** | **615** | 220 | **180** |
| Insurance premiums and service revenue earned | **477** | 496 | **(4)** | **945** | 991 | **(5)** |
| Gain on mortgage and automotive loans, net | **266** | 206 | **29** | **537** | 489 | **10** |
| (Loss) gain on extinguishment of debt | **(3)** | 13 | **(123)** | **(121)** | 657 | **(118)** |
| Other gain on investments, net | **95** | 97 | **(2)** | **235** | 83 | **183** |
| Other income, net of losses | **190** | (113) | **n/m** | **275** | (323) | **185** |
| Total other revenue | **1,388** | 867 | **60** | **2,486** | 2,117 | **17** |
| **Total net revenue** | **2,100** | 1,260 | **67** | **3,954** | 2,984 | **33** |
| **Provision for loan losses** | **220** | 1,117 | **80** | **366** | 1,863 | **80** |
| **Noninterest expense** | | | | | | |
| Insurance losses and loss adjustment expenses | **224** | 261 | **14** | **435** | 546 | **20** |
| Other operating expenses | **1,210** | 1,465 | **17** | **2,526** | 2,835 | **11** |
| Total noninterest expense | **1,434** | 1,726 | **17** | **2,961** | 3,381 | **12** |
| **Income (loss) from continuing operations before income tax expense** | **446** | (1,583) | **128** | **627** | (2,260) | **128** |
| Income tax expense from continuing operations | **33** | 1,096 | **97** | **69** | 972 | **93** |
| **Net income (loss) from continuing operations** | **$ 413** | $ (2,679) | **115** | **$ 558** | $ (3,232) | **117** |

n/m = not meaningful

We earned net income from continuing operations of $413 million for the three months ended June 30, 2010, compared to a net loss of $2.7 billion for the three months ended June 30, 2009, and net income of $558 million for the six months ended June 30, 2010, compared to a net loss of $3.2 billion for the six months ended June 30, 2009. Continuing operations for the three months and six months ended June 30, 2010, were favorably impacted by the stabilization of our consumer and commercial portfolios and gains on the sale of foreclosed real estate compared to losses and impairments in 2009. Additionally we recognized favorable mortgage servicing rights valuations that resulted in increased net servicing income in 2010. Results were also positively impacted by lease portfolio remarketing gains due to strong used vehicle prices. Lastly, income tax expense decreased in 2010 relative to the prior year as a result of the initial tax expense adjustment associated with the recording of deferred tax liabilities related to our conversion from a limited liability company to a corporation in 2009.

Total financing revenue and other interest income decreased by 14% and 13% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009, primarily due to lower asset levels at our International Automotive Finance operations and Mortgage operations as a result of lower asset origination levels and portfolio runoff. Our International Automotive Finance operations

experienced lower consumer and commercial asset levels due to lower consumer originations, lower dealer inventory levels, and the runoff of wind-down portfolios. Declines in asset levels at our Mortgage operations resulted from asset sales and portfolio runoff. Operating lease revenue (along with the related depreciation expense) at our Global Automotive Services decreased as a result of portfolio runoff and declining originations due to our strategic decisions in late 2008 to significantly curtail leasing. The decreases were partially offset by lease portfolio remarketing gains due to strong used vehicle prices and increases in consumer and commercial financing revenue related to the addition of non-GM automotive financing business.

Table of Contents

Interest expense decreased $276 million and $567 million in the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. Interest expense decreased $101 million and $207 million for the three months and six months ended June 30, 2010, respectively, within our International Automotive Finance operations and $71 million and $145 million for the three months and six months ended June 30, 2010, respectively, within our Mortgage operations primarily as a result of lower average borrowings related to lower asset levels. Additionally, interest expense decreased $99 million and $212 million for the three months and six months ended June 30, 2010, respectively, within Corporate and Other primarily due to favorable mark-to-market derivative activity.

Net servicing income was $363 million and $615 million for the three months and six months ended June 30, 2010, respectively, compared to $168 million and $220 million for the same periods in 2009. The increases were primarily due to favorable net valuations driven by slower than expected prepayment speeds resulting from the widening of mortgage spreads and lower home price appreciation. In contrast, during the three months and six months ended June 30, 2009, we recognized unfavorable mortgage servicing valuations resulting from reduced cash flows and increased prepayment assumptions due to lower mortgage interest rates.

Insurance premiums and service revenue earned decreased 4% and 5% in the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily driven by lower earnings from our U.S. extended service contracts due to decreases in domestic written premiums over the last several years. These decreases were partially offset by increased volume in our international operations.

Gain on mortgage and automotive loans increased 29% and 10% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The increases during both periods were related to higher gains on the sale of retail automotive whole loans during 2010 and unfavorable valuation adjustments taken during 2009 on the held-for-sale portfolio. Additionally, the increase during the three months ended June 30, 2010, was due to gains on mortgage whole-loan sales in 2010, compared to no whole-loan sales in 2009. These increases were partially offset by higher gains on the sale of wholesale automotive receivables during 2009 compared to no gains in 2010 as there were no off-balance sheet wholesale funding transactions.

We incurred a loss on extinguishment of debt of $3 million and $121 million for the three months and six months ended June 30, 2010, respectively, compared to gains of $13 million and $657 million for the three months and six months ended June 30, 2009, respectively. The activity in all periods related to the extinguishment of certain Ally debt.

Other gain on investments was $95 million and $235 million for the three months and six months ended June 30, 2010, respectively, compared to $97 million and $83 million for the three months and six months ended June 30, 2009, respectively. The increase during the six months ended June 30, 2010, was primarily related to higher realized investment gains driven by overall market improvement. During the six months ended June 30, 2009, we recognized other-than-temporary impairments of $47 million.

Other income, net of losses, increased $303 million and $598 million for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The improvements were driven by the recognition of gains on the sale of foreclosed real estate compared to losses and impairments in 2009 as well as the absence of loan origination income deferral in 2010 due to the fair value option election for our held-for-sale loans during the fourth quarter of 2009. Additionally, the six months ended June 30, 2009, was favorably impacted by improved derivative activity results and the absence of an $87 million fair value impairment upon the transfer of our resort finance business assets from held-for-sale to held-for-investment during 2009. Partially offsetting the increase during the three months ended June 30, 2010, was unfavorable net derivative activity.

The provision for loan losses was $220 million and $366 million for the three months and six months ended June 30, 2010, respectively, compared to $1.1 billion and $1.9 billion for the same periods in 2009. Our Mortgage operations provision for loan losses decreased $779 million and $1.3 billion as a result of the reduction in held-for-investment consumer finance receivables due to the strategic initiatives taken in late 2009. The provision for loan losses for both the three months and six months ended June 30, 2009, were driven by significant increases in delinquencies, severity, charge-offs, and loan modification debt forgiveness in our domestic mortgage loan portfolio; and higher reserves within our real estate lending portfolio. Our Commercial Finance Group s provision for loan losses decreased $162 million and $147 million primarily due to decreases in specific reserves on several resort finance assets and clients within our European operations.

Insurance losses and loss adjustment expenses decreased 14% and 20% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily driven by lower loss experience within our Mortgage operation s captive reinsurance portfolio.

Other operating expenses decreased 17% and 11% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009, reflecting our continued expense reduction efforts. The improvements were primarily due to lower mortgage representation and warranty expenses of $140 million and $264 million, reduced professional service expenses of $56 million and $85 million, and lower full-service leasing vehicle maintenance costs of $26 million and $29 million for the three and six months ended June 30, 2010, respectively. These favorable impacts were partially offset by increased restructuring expenses of $14 million and $56 million primarily related to a corporate-wide cost savings initiative. Additionally, the six months ended June 30, 2010, was impacted by higher compensation and benefits expenses of $61 million related to the build out and centralization of global functions.

We recognized consolidated income tax expense of $33 million and $69 million for the three months and six months ended June 30, 2010, respectively, compared to $1.1 billion and $972 million for the same periods in 2009. The decreases in tax expense during both periods were primarily related to the establishment of deferred tax liabilities related to our conversion from a limited liability company to a corporation effective June 30, 2009. Refer to Note 16 to the Consolidated Financial Statements for additional information regarding our change in tax status.

**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.

Our Global Automotive Services operations offer a wide range of financial services and insurance products to retail automotive consumers, automotive dealerships, and other commercial businesses. Our automotive finance services include purchasing retail installment sales contracts and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, and vehicle remarketing services. We also are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages, and we provide commercial insurance primarily covering dealers wholesale vehicle inventory.

As a full-service automotive finance provider, we continue to hold a leadership position in both retail and wholesale financing for GM and Chrysler consumers and dealers. We remain committed to our strategic long-term partnerships with automotive manufacturers, which we believe are mutually beneficial to them, Ally, and our customers, the dealer community and consumers. GM has recently announced that it plans to acquire AmeriCredit Corp., an independent automotive finance company, and it is possible that other automotive manufacturers could establish or acquire captive finance companies or utilize other existing companies to support their financing needs. We believe that the breadth of our products and scale of our operations positions us to succeed in a fair competitive market even if our automotive partners establish or acquire captive finance companies.

Table of Contents

**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. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **Favorable/ (unfavorable) % change** | **2010** | 2009 | **Favorable/ (unfavorable) % change** |
| **Net financing revenue** | | | | | | |
| Consumer | **$ 567** | $ 463 | **22** | **$ 1,106** | $ 961 | **15** |
| Commercial | **350** | 268 | **31** | **686** | 521 | **32** |
| Loans held-for-sale | **29** | 67 | **(57)** | **98** | 122 | **(20)** |
| Operating leases | **958** | 1,425 | **(33)** | **2,053** | 2,951 | **(30)** |
| Interest and dividend income | **39** | 69 | **(43)** | **95** | 137 | **(31)** |
| Total financing revenue and other interest income | **1,943** | 2,292 | **(15)** | **4,038** | 4,692 | **(14)** |
| Interest expense | **568** | 573 | **1** | **1,143** | 1,145 | |
| Depreciation expense on operating lease assets | **486** | 990 | **51** | **1,093** | 1,957 | **44** |
| Net financing revenue | **889** | 729 | **22** | **1,802** | 1,590 | **13** |
| **Other revenue** | | | | | | |
| Servicing fees | **55** | 58 | **(5)** | **115** | 125 | **(8)** |
| Gain on automotive loans, net | **66** | 46 | **43** | **179** | 151 | **19** |
| Other income | **65** | 34 | **91** | **95** | 173 | **(45)** |
| Total other revenue | **186** | 138 | **35** | **389** | 449 | **(13)** |
| **Total net revenue** | **1,075** | 867 | **24** | **2,191** | 2,039 | **7** |
| **Provision for loan losses** | **106** | 15 | **n/m** | **207** | 149 | **(39)** |
| **Noninterest expense** | **339** | 401 | **15** | **701** | 778 | **10** |
| **Income before income tax expense** | **630** | 451 | **40** | **1,283** | 1,112 | **15** |
| Income tax expense | **176** | 972 | **82** | **433** | 1,016 | **57** |
| **Net income (loss)** | **$ 454** | $ (521) | **187** | **$ 850** | $ 96 | **n/m** |
| **Total assets** | **$ 74,146** | $ 64,040 | **16** | **$ 74,146** | $ 64,040 | **16** |

n/m = not meaningful

Our North American Automotive Finance operations earned net income of $454 million and $850 million for the three months and six months ended June 30, 2010, respectively, compared to a net loss of $521 million and net income of $96 million for the three months and six months ended June 30, 2009, respectively. The increases in net income for both periods were driven by decreases in tax expense primarily related to our conversion from a limited liability company to a corporation effective June 30, 2009. The three months and six months ended June 30, 2010, were also favorably impacted by increased loan origination volume related to improved economic conditions and the addition of non-GM consumer and commercial automotive financing business. Additionally, we experienced strong remarketing results, which reflected continued strength in the used vehicle market and higher remarketing volumes compared to the three months and six months ended June 30, 2009.

Total financing revenue and other interest income decreased 15% and 14% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily related to a decline in operating lease revenue. Operating lease revenue (along with the related depreciation expense) decreased in both periods primarily due to a decline in the size of our operating lease portfolio resulting from our strategic decision in late 2008 to significantly curtail leasing. This decision was based on credit market dislocation and the significant decline in used vehicle

**Table of Contents**

prices that resulted in increasing residual losses during 2008 and an impairment of our lease portfolio. During the latter half of 2009, we re-entered the leasing market with more targeted lease product offerings. As a result, runoff of the legacy portfolio exceeded new origination volume. The decreases in operating lease revenue were largely offset by associated declines in depreciation expense, which were also favorably impacted by remarketing gains as a result of continued strength in the used vehicle market and higher remarketing volume. Consumer financing revenue (combined with interest income on consumer loans held-for-sale) increased 12% and 11% during the three months and six months ended June 30, 2010, respectively, due to an increase in consumer asset levels primarily related to the consolidation of consumer loans that were previously classified as off-balance sheet securitization transactions. Refer to Note 19 to the Consolidated Financial Statements for further information regarding the consolidation of these assets. Additionally, consumer loan origination volume increased as a result of improved economic conditions and the addition of non-GM business. The increase was partially offset by a change in the consumer asset mix related to the runoff of the higher yielding subprime automotive financing portfolio. Commercial revenue increased 31% and 32%, compared to the three months and six months ended June 30, 2009, respectively, primarily due to increases in the commercial loan balance driven by the addition of Chrysler wholesale floorplan business and increased GM production.

Net gain on automotive loans was $66 million and $179 million for the three and six months ended June 30, 2010, respectively, compared to $46 million and $151 million for the same periods in 2009. The increases during both periods were related to higher gains on the sale of retail whole loans during 2010 and unfavorable valuation adjustments taken during 2009 on the held-for-sale portfolio. These increases were partially offset by higher gains on the sale of wholesale receivables during 2009 compared to no gains in 2010 as there were no off-balance sheet wholesale funding transactions.

Other income increased 91% and decreased 45% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The increase during the three-month period ended was primarily due to unfavorable foreign currency movements during the second quarter of 2009. The decrease during the six-month period ended was primarily due to unfavorable swap mark-to-market activity related to the held-for-sale loan portfolio in 2010 and favorable foreign exchange related movements during the six months ended June 30, 2009.

The provision for loan losses was $106 million and $207 million for the three months and six months ended June 30, 2010, respectively, compared to $15 million and $149 million for the same periods in 2009. The increases were primarily related to our retail balloon finance contracts as both the three month and six month periods in 2009 benefited from portfolio runoff and a strengthening used vehicle market. The used vehicle market experienced decreased supply, which in turn alleviated pressure on residual values. The three-month and six-month periods in 2010 also benefitted from portfolio runoff and a continued strong used vehicle market but to a lesser extent than the same periods in 2009. Partially offsetting the increase during the six months ended June 30, 2010, was improved loss performance in the remainder of the portfolio.

Noninterest expense decreased 15% and 10% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The decreases were due primarily to lower compensation and benefits expense due to lower employee headcount resulting from restructuring activities and unfavorable foreign currency movements during the three months and six months ended June 30, 2009.

Our North American Automotive Finance operations incurred income tax expense of $176 million and $433 million for the three months and six months ended June 30, 2010, respectively, compared to $972 million and $1.0 billion for the three months and six months ended June 30, 2009, respectively. The decreases in tax expense during both periods were primarily related to the establishment of deferred tax liabilities related to our conversion from a limited liability company to a corporation effective June 30, 2009. Refer to Note 16 to the Consolidated Financial Statements for additional information regarding our change in tax status.

Table of Contents

**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.

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **Favorable/ (unfavorable) % change** | **2010** | 2009 | **Favorable/ (unfavorable) % change** |
| **Net financing revenue** | | | | | | |
| Consumer | **$ 267** | $ 344 | **(22)** | **$ 551** | $ 690 | **(20)** |
| Commercial | **92** | 126 | **(27)** | **193** | 260 | **(26)** |
| Loans held-for-sale | **5** | | **n/m** | **9** | | **n/m** |
| Operating leases | **52** | 78 | **(33)** | **118** | 154 | **(23)** |
| Interest and dividend income | **6** | 16 | **(63)** | **16** | 30 | **(47)** |
| Total financing revenue and other interest income | **422** | 564 | **(25)** | **887** | 1,134 | **(22)** |
| Interest expense | **208** | 309 | **33** | **443** | 650 | **32** |
| Depreciation expense on operating lease assets | **40** | 66 | **39** | **88** | 156 | **44** |
| Net financing revenue | **174** | 189 | **(8)** | **356** | 328 | **9** |
| **Other revenue** | | | | | | |
| Gain (loss) on automotive loans, net | **3** | (2) | **n/m** | **10** | (2) | **n/m** |
| Other income | **83** | 95 | **(13)** | **169** | 165 | **2** |
| Total other revenue | **86** | 93 | **(8)** | **179** | 163 | **10** |
| **Total net revenue** | **260** | 282 | **(8)** | **535** | 491 | **9** |
| **Provision for loan losses** | **11** | 58 | **81** | **34** | 109 | **69** |
| **Noninterest expense** | **144** | 191 | **25** | **354** | 389 | **9** |
| **Income (loss) from continuing operations before income tax expense (benefit)** | **105** | 33 | **n/m** | **147** | (7) | **n/m** |
| Income tax expense (benefit) from continuing operations | **4** | 145 | **97** | **(9)** | 138 | **107** |
| **Net income (loss) from continuing operations** | **$ 101** | $ (112) | **190** | **$ 156** | $ (145) | **n/m** |
| **Total assets** | **$ 16,596** | $ 25,597 | **(35)** | **$ 16,596** | $ 25,597 | **(35)** |

n/m = not meaningful

Our International Automotive Finance operations earned net income from continuing operations of $101 million and $156 million during the three months and six months ended June 30, 2010, respectively, compared to net losses from continuing operations of $112 million and $145 million during the three months and six months ended June 30, 2009, respectively. The three months and six months ended June 30, 2010, were favorably impacted by lower income tax expense due to our conversion from a limited liability company to a corporation effective June 30, 2009, lower funding costs commensurate with a lower asset base, and lower provision for loan losses associated with improving credit

performance. Partially offsetting the improvement in both periods was lower financing revenue resulting from the wind-down of operations in certain countries and lower GM deliveries.

Total financing revenue and other interest income decreased 25% and 22% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily due to decreases in consumer and commercial asset levels driven by the combination of lower consumer originations, lower dealer inventory levels, and the runoff of wind-down portfolios.

Table of Contents

Interest expense decreased 33% and 32% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily due to reductions in borrowing levels consistent with a lower asset base. The decrease was partially offset during the six months ended June 30, 2010, by unfavorable foreign currency movements.

Other income decreased 13% and increased 2% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The increase during the six months ended June 30, 2010, was primarily related to favorable mark-to-market adjustments on derivatives.

The provision for loan losses was $11 million and $34 million for the three months and six months ended June 30, 2010, respectively, compared to $58 million and $109 million for the same periods in 2009. The decreases were primarily due to improved loss performance in the consumer portfolio.

Noninterest expense decreased 25% and 9% for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. The decreases in both periods were primarily due to lower compensation and benefits driven by employee headcount reductions and decreases in information technology, facilities, and professional services expenses. Additionally, the three months ended June 30, 2010, were impacted by favorable foreign currency movements.

Income tax expense decreased $141 million and $147 million for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009, primarily due to the impact of our conversion from a limited liability company to a corporation as of June 30, 2009.

**Automotive Finance**

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

***Automotive Financing Volume***

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

| | **Ally consumer automotive financing volume** | | **% Share of GM retail sales** | |
|---|---|---|---|---|
| Three months ended June 30, *(units in thousands)* | **2010** | 2009 | **2010** | 2009 |
| GM new vehicles | | | | |
| North America | | | | |
| Retail contracts | **150** | 124 | **32** | 28 |
| Leases | **17** | | **4** | |
| Total North America | **167** | 124 | **36** | 28 |
| International (retail contracts and leases) (a) (b) | **92** | 82 | **17** | 15 |
| Total GM new units financed | **259** | 206 | **26** | 21 |
| Used units financed | **75** | 35 | | |
| Non-GM new units financed | | | | |
| Chrysler new units financed | **96** | 8 | | |
| Other non-GM units financed (c) | **26** | 9 | | |

| | | |
|---|---|---|
| Total non-GM new units financed | **122** | 17 |
| Total consumer automotive financing volume | **456** | 258 |

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

(b) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest. The three months ended June 30, 2010 and 2009, include 24 thousand and 15 thousand vehicles, respectively.

(c) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest. The three months ended June 30, 2010 and 2009, include 17 thousand and 6 thousand vehicles, respectively.

Table of Contents

| Six months ended June 30, *(units in thousands)* | **Ally consumer automotive financing volume** | | **% Share of GM retail sales** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| GM new vehicles | | | | |
| North America | | | | |
| Retail contracts | **258** | 190 | **31** | 23 |
| Leases | **34** | | **4** | |
| Total North America | **292** | 190 | **35** | 23 |
| International (retail contracts and leases) (a) (b) | **176** | 166 | **16** | 17 |
| Total GM new units financed | **468** | 356 | **24** | 20 |
| Used units financed | **140** | 62 | | |
| Non-GM new units financed | | | | |
| Chrysler new units financed | **153** | 9 | | |
| Other non-GM units financed (c) | **44** | 14 | | |
| Total non-GM new units financed | **197** | 23 | | |
| Total consumer automotive financing volume | **805** | 441 | | |

(a) Excludes financing volume and GM retail sales of discontinued operations as well as GM retail sales for other countries in which GM operates and in which we have no financing volume.
(b) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest. The six months ended June 30, 2010 and 2009, include 46 thousand and 27 thousand vehicles, respectively.
(c) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest. The six months ended June 30, 2010 and 2009, include 29 thousand and 10 thousand vehicles, respectively.

Our consumer automotive financing volume and penetration levels are significantly influenced by the nature, timing, and extent of GM s use of rate, residual, and other financing incentives for marketing purposes on consumer retail automotive contracts and leases. Financing volume was higher in 2010 reflecting improved general economic conditions compared to historically low industry sales and leases in 2009, and the addition of the Chrysler retail activity. GM penetration levels were higher in 2010 due to tighter underwriting standards in 2009 as we aligned our originations to levels consistent with reduced funding sources as a result of the disruption in the capital markets.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percentage of total new retail and lease contracts acquired, were as follows.

| | **Six months ended June 30,** | |
|---|---|---|
| | **2010** | 2009 |
| GM and affiliates subvented contracts acquired | | |
| North American operations | **52%** | 72% |
| International operations (a) | **37%** | 64% |

(a) Represents subvention for continuing operations only.

Retail contracts acquired that included rate and residual subvention from GM decreased as a percentage of total new retail contracts acquired due to reductions in our standard rates to be more competitive with market pricing, coupled with a reduction in incentivized programs offered by GM.

Table of Contents

The following table summarizes our commercial wholesale finance receivables of new and used vehicles and share of dealer inventory in markets where we operated at June 30, 2010, and December 31, 2009.

| | | | % Share of dealer inventory (a) | |
|---|---|---|---|---|
| *($ in millions)* | **June 30, 2010** | December 31, 2009 | **June 30, 2010** | December 31, 2009 |
| GM new vehicles | | | | |
| North America | **$ 14,780** | $ 12,859 | **86** | 92 |
| International (b) (c) | **3,976** | 3,697 | **80** | 77 |
| Total GM vehicles financed | **18,756** | 16,556 | | |
| Used vehicles financed | **3,590** | 3,135 | | |
| Non-GM vehicles financed | | | | |
| Chrysler new vehicles financed | **5,874** | 4,846 | | |
| Other non-GM vehicles financed (d) | **2,139** | 1,893 | | |
| Total non-GM vehicles financed | **8,013** | 6,739 | | |
| Total commercial wholesale finance receivables | **$ 30,359** | $ 26,430 | | |

(a) Share of dealer inventory based on end of period dealer inventory for North America and wholesale financing share of GM shipments for International.
(b) Excludes commercial wholesale finance receivables and dealer inventory of discontinued operations as well as dealer inventory for other countries in which GM operates and in which we had no commercial wholesale finance receivables.
(c) Includes $1.2 billion and $852 million at June 30, 2010, and December 31, 2009, respectively, of vehicles financed through a joint venture in China in which Ally owns a minority interest.
(d) Includes $11 million and $8 million at June 30, 2010, and December 31, 2009, respectively, of vehicles financed through a joint venture in China in which Ally owns a minority interest.

Our commercial wholesale finance receivable products continue to be the primary funding sources for GM and Chrysler dealers. Total commercial wholesale finance receivables increased from $26.4 billion at December 31, 2009, to $30.4 billion at June 30, 2010, or an increase of 15%. The increase was driven by increasing vehicle sales and the corresponding increase in vehicle production and dealer inventories.

Table of Contents

**Insurance Operations**

***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 operating segments.

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **Favorable/ (unfavorable) % change** | **2010** | 2009 | **Favorable/ (unfavorable) % change** |
| **Insurance premiums and other income** | | | | | | |
| Insurance premiums and service revenue earned | **$ 469** | $ 484 | **(3)** | **$ 929** | $ 967 | **(4)** |
| Investment income | **86** | 88 | **(2)** | **227** | 93 | **144** |
| Other income | **18** | 13 | **38** | **38** | 36 | **6** |
| Total insurance premiums and other income | **573** | 585 | **(2)** | **1,194** | 1,096 | **9** |
| **Expense** | | | | | | |
| Insurance losses and loss adjustment expenses | **224** | 224 | | **420** | 444 | **5** |
| Acquisition and underwriting expense | **241** | 262 | **8** | **483** | 517 | **7** |
| Total expense | **465** | 486 | **4** | **903** | 961 | **6** |
| **Income from continuing operations before income tax expense** | **108** | 99 | **9** | **291** | 135 | **116** |
| Income tax expense from continuing operations | **22** | 28 | **21** | **83** | 34 | **(144)** |
| **Net income from continuing operations** | **$ 86** | $ 71 | **21** | **$ 208** | $ 101 | **106** |
| **Total assets** | **$ 8,552** | $ 11,588 | **(26)** | **$ 8,552** | $ 11,588 | **(26)** |
| **Insurance premiums and service revenue written** | **$ 415** | $ 350 | **19** | **$ 838** | $ 702 | **19** |
| **Combined ratio (a)** | **96.0%** | 97.8% | | **93.8%** | 96.0% | |

(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.

Our Insurance operations earned net income from continuing operations of $86 million and $208 million for the three months and six months ended June 30, 2010, respectively, compared to $71 million and $101 million for the three months and six months ended June 30, 2009, respectively. The increase in the three-month period net income was primarily attributable to lower acquisition and underwriting expenses. During the six-month period, net income increased primarily due to higher realized investment gains driven by overall market improvement.

Insurance premiums and service revenue earned was $469 million and $929 million for the three months and six months ended June 30, 2010, respectively, compared to $484 million and $967 million for the same periods in 2009. Insurance premiums and service revenue earned decreased during both periods and was primarily driven by lower earnings from our U.S. extended service contracts due to a decrease in domestic written premium over the last several years. These decreases were partially offset by increased volume in our international operations.

Investment income totaled $86 million and $227 million for the three months and six months ended June 30, 2010, respectively, compared to $88 million and $93 million for the same periods in 2009. The increase during the six-month period is primarily due to higher realized investment gains driven by overall market improvement and the sale of our tax-exempt securities portfolio. During the six months ended June 30, 2009, we realized other-than-temporary impairments of $45 million. The increase in investment income was also slightly offset by reductions in the size of the investment portfolio. The value of the investment portfolio was $4.2 billion and $4.7 billion at June 30, 2010 and 2009, respectively.

Insurance losses and loss adjustment expenses were $224 million and $420 million for the three months and six months ended June 30, 2010, respectively, compared to $224 million and $444 million for the same periods in 2009. The decrease during the six months ended June 30, 2010, was primarily related to our U.S. dealership-related products that experienced lower incurred losses due to lower dealer inventory levels as well as decreased severity of losses compared to 2009. This decrease was partially offset by increased volume at our international operations that experienced higher severity of losses compared to 2009.

Acquisition and underwriting expense was $241 million and $483 million for the three months and six months ended June 30, 2010, respectively, compared to $262 million and $517 million for the same periods in 2009. Acquisition and underwriting expenses decreased during both periods due to lower expenses in our U.S. dealership-related products compared to the same periods in 2009. These decreases were partially offset by increased expenses within our international operations.

Income tax expense was $22 million and $83 million for the three months and six months ended June 30, 2010, respectively, compared to $28 million and $34 million for the same periods in 2009. Income tax expense decreased for the six months ended June 30, 2010, due to higher income from continuing operations before income taxes and our conversion from a limited liability company to a corporation effective June 30, 2009.

Insurance premiums and service revenue written was $415 million and $838 million for the three months and six months ended June 30, 2010, respectively, compared to $350 million and $702 million for the same periods in 2009. Insurance premiums and service revenue written increased due to higher written premiums in our U.S. dealership-related products, particularly our vehicle service contract products, and international operations. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the expected loss pattern. Due to this policy, the majority of earnings from vehicle service contracts written during the three months and six months ended June 30, 2010, will be recognized as income in future periods.

Table of Contents

**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 LLC legal entity, the mortgage operations of Ally Bank, and the Canadian mortgage operations of ResMor Trust. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **2010** | 2009 | **Favorable/ (unfavorable) % change** | **2010** | 2009 | **Favorable/ (unfavorable) % change** |
| **Net financing revenue** | | | | | | |
| Total financing revenue and other interest income | **$ 456** | $ 510 | **(11)** | **$ 938** | $ 1,016 | **(8)** |
| Interest expense | **302** | 373 | **19** | **602** | 747 | **19** |
| Net financing revenue | **154** | 137 | **12** | **336** | 269 | **25** |
| Servicing fees | **328** | 334 | **(2)** | **652** | 672 | **(3)** |
| Servicing asset valuation and hedge activities, net | **(21)** | (225) | **91** | **(154)** | (577) | **73** |
| Total servicing income, net | **307** | 109 | **182** | **498** | 95 | **n/m** |
| Gain on mortgage loans, net | **197** | 167 | **18** | **348** | 347 | |
| Gain on extinguishment of debt | | | | | 4 | **(100)** |
| Other income, net of losses | **27** | (360) | **108** | **54** | (474) | **111** |
| Total other revenue (expense) | **531** | (84) | **n/m** | **900** | (28) | **n/m** |
| **Total net revenue** | **685** | 53 | **n/m** | **1,236** | 241 | **n/m** |
| **Provision for loan losses** | **92** | 871 | **89** | **99** | 1,432 | **93** |
| **Noninterest expense** | **363** | 517 | **30** | **751** | 1,071 | **30** |
| **Income (loss) from continuing operations before income tax (benefit) expense** | **230** | (1,335) | **117** | **386** | (2,262) | **117** |
| Income tax (benefit) expense from continuing operations | **(2)** | (183) | **(99)** | **6** | (270) | **(102)** |
| **Net income (loss) from continuing operations** | **$ 232** | $ (1,152) | **120** | **$ 380** | $ (1,992) | **119** |
| **Total assets** | **$ 46,043** | $ 44,401 | **4** | **$ 46,043** | $ 44,401 | **4** |

n/m = not meaningful

Our Mortgage operations earned net income from continuing operations of $232 million and $380 million for the three months and six months ended June 30, 2010, respectively, compared to net losses from continuing operations of $1.2 billion and $2.0 billion for the three months and six months ended June 30, 2009, respectively. The 2010 results from continuing operations were primarily driven by the realization of the benefits of the strategic actions taken to sell certain legacy mortgage assets resulting in the reclassification of these loans from held-for-investment to held-for-sale in the fourth quarter of 2009. These actions resulted in lower provision for loan losses. Also contributing to the increases were lower mortgage representation and warranty expense and higher net servicing income. These favorable impacts were partially offset during both periods by decreased income tax benefits.

Net financing revenue was $154 million and $336 million for the three months and six months ended June 30, 2010, respectively, compared to $137 million and $269 million for the same periods in 2009. Net financing revenue was favorably impacted by lower interest expense driven primarily by a reduction in average borrowings commensurate with a smaller asset base and lower cost of funds. Additionally, lower financing revenue and other interest income was due primarily to a decline in average asset levels and lower trading securities interest income.

Net servicing income was $307 million and $498 million for the three months and six months ended June 30, 2010, respectively, compared to $109 million and $95 million for the same periods in 2009. The increases were primarily due to favorable net valuations driven by slower than expected prepayment speeds resulting from the widening of mortgage spreads and lower home price appreciation. In contrast, during the three months and six months ended June 30, 2009, we recognized unfavorable mortgage servicing valuations resulting from reduced cash flows and increased prepayment assumptions due to lower mortgage interest rates.

The net gain on mortgage loans was $197 million and $348 million for the three months and six months ended June 30, 2010, respectively, compared to $167 million and $347 million for the same periods in 2009. The increase during the three months ended June 30, 2010, was primarily due to gains on whole-loan sales in 2010 compared to no whole-loan sales in 2009.

Other income, net of losses, was $27 million and $54 million for the three months and six months ended June 30, 2010, respectively, compared to losses of $360 million and $474 million for the same periods in 2009. The increases in other income for both periods were driven primarily by the recognition of gains on the sale of foreclosed real estate in 2010 compared to losses and impairments in 2009 as well as 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.

The provision for loan losses was $92 million and $99 million for the three months and six months ended June 30, 2010, respectively, compared to $871 million and $1.4 billion for the same periods in 2009. The provision for both periods in 2010 was impacted by the reduction in held-for-investment consumer finance receivables as a result of the strategic initiatives taken in late 2009. The provision for loan losses for both the three months and six months ended June 30, 2009, were driven by significant increases in delinquencies, severity, charge-offs, and loan modification debt forgiveness in our domestic mortgage loan portfolio and by higher reserves within our real estate lending portfolio.

Total noninterest expense decreased 30% for both the three months ended June 30, 2010, and the six months ended June 30, 2010, compared to the same periods in 2009. The 2009 results included significant representation and warranty expense due to increased actual and projected repurchase demands and increasing severity and delinquency assumptions. Additionally, during 2009, our captive reinsurance portfolio experienced deterioration due to higher delinquencies, which drove higher insurance reserves. The decrease during the three months ended June 30, 2010, was partially offset by unfavorable foreign currency movements on hedge positions.

We recognized an income tax benefit of $2 million and income tax expense of $6 million for the three months and six months ended June 30, 2010, respectively, compared to income tax benefits of $183 million and $270 million for the same periods in 2009. The decreases in income tax benefit for both periods were primarily related to losses realized by our domestic C-corporation entities, Ally Bank and CapRe of Vermont, in 2009 and tax benefits recorded by the GMAC Mortgage Group Parent resulting from the conversion of its parent from a tax partnership to a corporation effective June 30, 2009.

The Federal Housing Finance Agency (FHFA), as conservator of Fannie Mae and Freddie Mac (the GSEs), announced on July 12, 2010, that it issued 64 subpoenas to various entities seeking documents related to private-label mortgage-backed securities in which the GSEs had invested. Residential Funding Company, LLC, GMAC Mortgage, LLC, and GMAC Mortgage USA Corporation, each indirect wholly-owned subsidiaries of Ally Financial Inc., received such subpoenas and are currently formulating a response. It is premature to speculate as to what, if any, actions may be taken by the FHFA as a result of these requests.

**Mortgage Loan Production and Servicing**

Mortgage loan production was $13.5 billion and $26.8 billion for the three months and six months ended June 30, 2010, respectively, compared to $18.8 billion and $32.2 billion for the same periods in 2009. Mortgage operations domestic loan production decreased $5.3 billion, or 29%, and $5.5 billion, or 18%, for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. Mortgage operations international loan production increased $21 million, or 6%, and $111 million, or 21%, for the three months and six months ended June 30, 2010, respectively, compared to the same periods in 2009. International mortgage loan production primarily represents insured mortgages in Canada. All other international loan production has been suspended.

Table of Contents

The following table summarizes consumer mortgage loan production for the periods shown.

| ($ in millions) | Three months ended June 30, 2010 | Three months ended June 30, 2009 | Six months ended June 30, 2010 | Six months ended June 30, 2009 |
|---|---|---|---|---|
| Production by product type | | | | |
| 1st Mortgage | **$ 13,160** | $ 18,480 | **$ 26,128** | $ 31,676 |
| Home equity | | | | |
| Total U.S. production | **13,160** | 18,480 | **26,128** | 31,676 |
| International production | **346** | 325 | **638** | 527 |
| Total production by product type | **$ 13,506** | $ 18,805 | **$ 26,766** | $ 32,203 |
| U.S. production by channel | | | | |
| Retail and direct channels | **$ 1,466** | $ 2,333 | **$ 3,428** | $ 3,864 |
| Correspondent channel | **11,694** | 16,147 | **22,700** | 27,812 |
| Total U.S. production by channel | **$ 13,160** | $ 18,480 | **$ 26,128** | $ 31,676 |
| Number of U.S. produced loans *(in units)* | | | | |
| Retail and direct channels | **7,073** | 11,309 | **16,523** | 19,105 |
| Correspondent channel | **51,637** | 75,096 | **99,501** | 128,464 |
| Total number of U.S. produced loans | **58,710** | 86,405 | **116,024** | 147,569 |

The following table summarizes the primary mortgage loan servicing portfolio.

| ($ in millions) | June 30, 2010 Number of loans | June 30, 2010 Dollar amount of loans | December 31, 2009 Number of loans | December 31, 2009 Dollar amount of loans |
|---|---|---|---|---|
| On-balance sheet mortgage loans | | | | |
| Held-for-sale and held-for-investment | **296,255** | **$ 23,986** | 276,996 | $ 26,333 |
| Operations held-for-sale | **71,041** | **13,195** | 17,260 | 3,160 |
| Off-balance sheet mortgage loans | | | | |
| Loans sold to third-party investors | | | | |
| Securitizations | **404,804** | **63,917** | 489,258 | 71,505 |
| Whole-loan and agency | **1,615,230** | **261,432** | 1,585,281 | 252,430 |
| Purchased servicing rights | **82,386** | **4,364** | 88,516 | 4,800 |
| Operations held-for-sale | **24,829** | **4,061** | 82,978 | 17,526 |
| Total primary mortgage loan servicing portfolio (a) | **2,494,545** | **$ 370,955** | 2,540,289 | $ 375,754 |

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled 124,327 with an unpaid principal balance of $27.4 billion at June 30, 2010, and 129,954 with an unpaid balance of $28.7 billion at December 31, 2009.

Table of Contents

**Loans Outstanding**

Mortgage loans held-for-sale were as follows.

| *($ in millions)* | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| Prime conforming | **$ 3,084** | $ 3,769 |
| Prime nonconforming | **931** | 1,221 |
| Prime second-lien | **739** | 776 |
| Government | **3,436** | 3,915 |
| Nonprime | **776** | 978 |
| International | **152** | 623 |
| Total (a) (b) | **9,118** | 11,282 |
| Net discounts | **(248)** | (319) |
| Fair value option election adjustment | **102** | 19 |
| Lower of cost or fair value adjustment | **(60)** | (115) |
| Total, net (a) | **$ 8,912** | $ 10,867 |

(a) Includes $2.1 billion and $1.9 billion at June 30, 2010, and December 31, 2009, respectively, of loans held by off-balance sheet securitization trusts in which we hold a conditional repurchase option. The net carrying value of these loans is equal to the unpaid principal balance.

(b) Includes unpaid principal balance write-downs of $2.5 billion and $3.6 billion as of June 30, 2010, and December 31, 2009, respectively. The amounts are for 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 180-day charge-off policy.

Held-for-investment consumer mortgage finance receivables and loans were as follows.

| *($ in millions)* | **June 30, 2010** | December 31, 2009 |
|---|---|---|
| Prime conforming | **$ 355** | $ 386 |
| Prime nonconforming | **9,399** | 8,248 |
| Prime second-lien | **3,723** | 3,201 |
| Government | | |
| Nonprime | | |