Risk Factors Comparison 2024-02-20 to 2023-02-24 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

We face many risks and uncertainties, any one or more of which could have a material adverse effect on our business, results of operations, financial condition (including capital and liquidity), or prospects or the value of or return on an investment in Ally. We describe certain of these risks and uncertainties in this section, although we may be adversely affected by other risks or uncertainties that are not presently known to us, that we have failed to appreciate, or that we currently consider immaterial. These risk factors should be read in conjunction with **the Regulation and Supervision section in Part I, Item 1 of this report,** the MD & A in Part II, Item 7 of this report, and the Consolidated Financial Statements and notes thereto. This Annual Report on Form 10- K is qualified in its entirety by these risk factors. Risks Related to Regulation and Supervision The regulatory and supervisory environment in which we operate could have an adverse effect on our business, financial condition, results of operations, and prospects. We are subject to extensive regulatory frameworks and to direct supervision and periodic examinations by various governmental agencies and industry SROs that are charged with overseeing the kinds of business activities in which we engage. This regulatory and supervisory oversight is designed to protect public and private interests — such as macroeconomic policy objectives, financial- market stability and liquidity, and the confidence and security of depositors generally — that may not always be aligned with those of our stockholders or non- deposit creditors. At any given time, we are involved in a number of legal and regulatory proceedings and governmental and regulatory examinations, investigations, and other inquiries. Refer to the ~~section above titled Regulation and Supervision in Part I, Item 1 of this report and to the~~ risk factor below titled We are or may be subject to potential liability in connection with pending or threatened legal proceedings and other matters, which could adversely affect our business or financial results. While the scope, intensity, and focus of governmental oversight can vary from time to time, we expect a highly demanding environment for the foreseeable future. ~~Recently~~ **In recent years**, regulatory and other governmental agencies have taken a host of actions that create more challenging and volatile financial and operating conditions for financial- services companies, including through formal rulemakings that change the law or interpretations of the law, supervisory expectations and public statements that are designed to informally compel changes in industry practices, and more aggressive approaches to enforcement that are accompanied by increasingly severe penalties. These actions are comprehensive in their coverage, such as rulemakings on climate- related disclosures, cybersecurity risk governance (including incident disclosure), CRA reform, credit- card fees **(such as the CFPB' s proposed rule to cap late fees)**, and personal- financial- data rights as well as guidance and statements on mergers and acquisitions, regulatory capital, resolution planning, automotive financing and insurance, fees for financial services, and UDAAP. **Further, following the failures of three large banks in 2023, banking regulators have proposed changes, or indicated the potential for changes, regarding the regulation and supervision of banking organizations, in particular those, such as Ally, with $ 100 billion or more in assets. The introduction of new or more stringent regulatory requirements, as well as heightened supervisory expectations, could require Ally to maintain additional capital or liquidity or incur significant expenses.** Governmental oversight of this kind may **increase our operating costs or** reduce our revenues, limit the types of financial services and products we may offer, alter the investments we may make, affect the manner in which we conduct our business and operations, increase our litigation and regulatory costs, and enhance the ability of others to offer more competitive financial services and products. We continue to devote substantial time and resources to risk management, compliance, regulatory- change management, and cybersecurity and other technology initiatives, each of which — whether successful or not — also may adversely affect our ability to operate profitably or to pursue advantageous business opportunities. Ally has elected to be treated as an FHC, which permits us to engage in a number of financial and related activities — including securities, advisory, insurance, and merchant- banking activities — beyond the business of banking. Ally and Ally Bank are subject to ongoing requirements for Ally to qualify as an FHC. If a BHC or any of its insured depository institutions is found not to be well capitalized or well managed, as defined under applicable law, the BHC can be restricted from engaging in the broader range of financial and related activities permitted for FHCs, including the ability to acquire companies engaged in those activities, and can be required to discontinue these activities or even divest any of its insured depository institutions. In addition, if an insured- depository- institution subsidiary of a BHC fails to achieve a satisfactory or better rating under the CRA, the ability of the BHC to expand its financial and related activities or make acquisitions could be restricted. In connection with their continuous supervision and examinations of us, the FRB, the UDFI, the CFPB, the SEC, FINRA, the NYDFS, or other regulatory agencies may explicitly or implicitly require changes in our business or operations. Such a requirement may be judicially enforceable or impractical for us to contest, and if we are unable to comply with the requirement in a timely and effective manner, we could become subject to formal or informal enforcement and other supervisory actions, including memoranda of understanding, written agreements, cease- and- desist orders, and prompt- corrective- action or safety- and- soundness directives. The financial- services industry continues to face scrutiny from supervisory authorities in the examination process, including through an increasing use of horizontal reviews from a broader industry perspective as well as strict enforcement of laws at federal, state, and local levels — particularly in connection with business and other practices that may harm or appear to harm consumers and compliance with anti- money- laundering, sanctions, and related laws. Because of the regulatory and supervisory framework, financial institutions often are less inclined to litigate with governmental authorities. In general, the amounts paid by financial institutions in settling proceedings or investigations and the severity of other terms of regulatory settlements are likely to remain elevated. In some cases, governmental authorities have required criminal pleas or other extraordinary terms, including admissions of wrongdoing and the imposition of monitors, as part of settlements. Supervisory actions could entail significant restrictions on our existing business, our ability to develop new business or make acquisitions, our flexibility in conducting operations, and our ability to pay dividends or utilize capital. Enforcement and other supervisory actions also can result in the imposition of civil monetary penalties or injunctions, related litigation by private plaintiffs, damage to our reputation, and a loss of customer or investor confidence **, and a prior enforcement action may also increase the risk that regulators and governmental authorities pursue formal enforcement actions in connectionAlly Financial Inc. • Form 10- K with the resolution of an inquiry or investigation, even if unrelated to the prior enforcement action** . We could be required as well to dispose of specified assets and liabilities within a prescribed period of time. As a result, any enforcement or other supervisory action could have an adverse effect on our business, financial condition, results of operations, and prospects. ~~Ally Financial Inc. • Form 10- K~~ Our regulatory and supervisory environments — whether at federal, state, or local levels — are not static. No assurance can be given that applicable statutes, regulations, and other laws will not be amended or construed differently, that new laws will not be adopted, ~~or~~ that any of these laws will not be enforced more aggressively ~~.~~ **,** ~~For~~ **or that applicable** ~~example, while Congress nullified the CFPB' s guidance about compliance with fair- lending~~ laws ~~in the context of indirect automotive financing~~ , **or** the ~~NYDFS later adopted arguably more far- reaching guidance on the subject~~ **interpretation or enforcement thereof, may overlap, diverge or conflict across jurisdictions** . Changes in the regulatory and supervisory environments could adversely affect us in substantial and unpredictable ways, including by limiting the types of financial services and products we may offer, enhancing the ability of others to offer more competitive financial services and products, **and** restricting our ability to make acquisitions or pursue other profitable opportunities ~~, and negatively impacting our financial condition and results of operations~~ . Further, our noncompliance with applicable laws — whether as a result of changes in interpretation or enforcement, system or human errors, or otherwise and, in some cases, regardless of whether noncompliance was inadvertent — could result in the suspension or revocation of licenses or registrations that we need to operate and in the initiation of enforcement and other supervisory actions or private litigation. Our ability to execute our business strategy for Ally Bank may be adversely affected by regulatory constraints. Much of our business and operations is conducted by Ally Bank, which is a direct bank with no branch network, and a primary component of our business strategy is its continued growth. This growth includes expanding our consumer and commercial lending and increasing our deposit customers and balances while optimizing our cost of funds. If regulatory agencies raise concerns about any aspect of our business strategy for Ally Bank or the way in which we implement it, we may be obliged to limit or even reverse the growth of Ally Bank or otherwise alter our strategy, which could have an adverse effect on our business, financial condition, results of operations, or prospects. In addition, if we are compelled to retain or shift any of our business activities in or to nonbank affiliates, our funding costs for those activities — such as unsecured funding in the capital markets — could be more expensive than our cost of funds at Ally Bank. We are subject to stress tests, capital and liquidity planning, and other enhanced prudential standards, which impose significant restrictions and costly requirements on our business and operations. We are currently subject to enhanced prudential standards that have been established by the FRB ~~under the Dodd- Frank Act, as amended by the EGRRCP Act. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report~~ . Under the Tailoring Rules, Ally is a Category IV firm and, as such, is generally subject to supervisory stress testing on a two- year cycle and is required to submit an annual capital plan to the FRB. The FRB may require us to revise and resubmit our capital plan in specified circumstances, including if the FRB determines that our capital plan is incomplete, our capital plan or internal capital adequacy process contains material weaknesses, or there has been, or will likely be, a material change in our risk profile (including a material change in our business strategy or any risk exposure), financial condition, or corporate structure. While a resubmission is pending, without prior approval of the FRB, we would generally be prohibited from paying dividends, repurchasing our common stock, or making other capital distributions ~~. For example, in response to the outbreak of COVID- 19, the FRB determined that changes in financial markets or the macroeconomic outlook could have a material effect on the risk profiles and financial conditions of firms subject to the capital- plan rule and that, as a result, the firms (including Ally) were required to resubmit capital plans as well as, for a period of time, suspend nearly all common- stock repurchases and restrict common- stock dividends~~ . Depending on the circumstances, to satisfy the FRB in its review of our capital plan, we may be required to further cease or limit capital distributions or to issue capital instruments that could be dilutive to stockholders. The FRB also may prevent us from maintaining or expanding lending or other business activities. Any of these developments, including the mere fact of being required by the FRB to revise or resubmit our capital plan and especially if unique to us or a group of firms like us, may damage our reputation and result in a loss of customer or investor confidence. Further, we may be required to raise capital if we are at risk of failing to satisfy our minimum regulatory capital ratios or related supervisory requirements, whether due to inadequate operating results that erode capital, future growth that outpaces the accumulation of capital through earnings, changes in regulatory capital standards, changes in accounting standards that affect capital (such as CECL), or otherwise. In addition, we may elect to raise capital for strategic reasons even when we are not required to do so. Our ability to raise capital on favorable terms or at all will depend on general economic and market conditions, which are outside of our control, and on our operating and financial performance. Accordingly, we cannot be assured of being able to raise capital when needed or on favorable terms. An inability to raise capital when needed and on favorable terms could damage the performance and value of our business, prompt supervisory actions and private litigation, harm our reputation, and cause a loss of customer or investor confidence, and if the condition were to persist for any appreciable period of time, our viability as a going concern could be threatened. Even if we are able to raise capital but do so by issuing common stock or convertible securities, the ownership interest of our existing stockholders could be diluted, and the market price of our common stock could decline. The enhanced prudential standards also require Ally, as a Category IV firm, to conduct quarterly liquidity stress tests, to maintain a buffer of unencumbered highly liquid assets to meet projected net stressed cash outflows over a 30- day planning horizon, to adopt a contingency funding plan that would address liquidity needs during various stress events, and to implement specified liquidity risk management and corporate governance measures. These enhanced liquidity standards could constrain our ability to originate or invest in longer-term or less liquid assets or to take advantage of other profitable opportunities and, therefore, may adversely affect our business, results of operations, and prospects. Our ability to rely on deposits as a part of our funding strategy may be limited. Ally Bank is a key part of our funding strategy, and we place great reliance on deposits at Ally Bank as a source of funding. Competition for deposits and deposit customers, however, is ~~fierce~~ **intense** . Further, recent increases in short- term interest rates have resulted in, and are expected to continue to result in, more intense competition in deposit pricing **and with respect to non- deposit financial products** . Ally Bank does not have a branch network but, instead, obtains its deposits through online and other digital channels, from **other business lines including** customers of Ally Invest, and through deposit brokers. Brokered deposits may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher returns. **Our** ~~Brokered~~ **brokered** deposits totaled $ ~~12~~ **11** . ~~6~~ **0** billion at December 31, ~~2022~~ **2023** , which represented ~~8~~ **7** . ~~3~~ **1** % of ~~Ally Bank' s~~ total ~~deposits~~ **deposit liabilities** . In addition, our ability to maintain, grow, or favorably price deposits may be constrained by our ~~lack of in- person~~ **focus on online and mobile** banking ~~services~~ , gaps in our product and service offerings, changes in consumer trends, our smaller scale relative to other financial institutions, competition from fintech companies and emerging financial- services providers, any failures or deterioration in our customer service, or any loss of confidence in our brand or our business. Our level and cost of deposits also could be adversely affected by regulatory or supervisory restrictions, including any applicable prior approval requirements or limits on our offered rates or brokered deposit growth, and by changes in monetary or fiscal policies that influence deposit or other interest rates. Perceptions of our existing and future financial strength **or the financial strength of the financial- services industry generally** , rates or returns offered by other financial institutions or third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact the size and cost of our deposit base. **For example, Ally Bank could be subject to sudden withdrawals of deposits, including as a result of negative media coverage, which may be spread through social media, regarding us or the financial services industry generally. Online and mobile banking have made it easier for customers to withdraw their deposits or transfer funds to other accounts with short notice. This may make retaining deposits during periods of stress more difficult. In addition, depositors of certain types of deposits, such as uninsured or uncollateralized deposits, may be more likely to withdraw their deposits or do so more quickly. Any such withdrawals could result in higher funding costs for us as we lose a lower cost source of funding, and significant unanticipated withdrawals could materially and adversely affect our liquidity, financial condition, and results of operations. Approximately 93 % of total deposits at Ally Bank, excluding affiliate and intercompany deposits, were FDIC- insured as of December 31, 2023.** Requirements under U. S. Basel III that increased the quality and quantity of regulatory capital and future revisions to the Basel III framework **or requirements related to long- term debt** may adversely affect our business and financial results. Ally and Ally Bank are subject to U. S. Basel III ~~. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report~~ . U. S. Basel III subjects Ally and Ally Bank to minimum risk- based capital ratios (including the dynamic stress capital buffer requirement applicable to Ally and the static capital conservation buffer requirement applicable to Ally Bank). Failure to satisfy these regulatory capital requirements would result in restrictions on our ability to make capital distributions, including dividend payments and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. If Ally or Ally Bank were to fail to satisfy its regulatory capital requirements, significant regulatory sanctions could result, such as a bar on capital distributions, limitations on acquisitions and new activities, restrictions on our acceptance of brokered deposits, a loss of our status as an FHC, or informal or formal enforcement and other supervisory actions. Such a failure also could irrevocably damage our reputation, prompt a loss of customer and investor confidence, prompt private litigation, and even lead to our resolution or receivership. Any of these consequences could have an adverse effect on our business, results of operations, financial condition, or prospects. In December 2017, the Basel Committee approved revisions to the global Basel III capital framework (commonly known as the Basel III endgame or as Basel IV), ~~many~~ **and on July 27, 2023, the FRB and FDIC issued a proposed rule to implement the Basel Committee' s 2017 standards and make other changes to regulatory capital rules for banking organizations with total consolidated assets** of ~~which —~~ **$ 100 billion or more. Further, on August 29, 2023, the FRB and the FDIC issued a proposed rule that would require Category II through Category IV BHCs and IDIs with $ 100 billion or more in consolidated assets (as well as their IDI affiliates) to maintain minimum amounts of eligible long- term debt (generally, debt that is unsecured, has a maturity greater than one year from issuance and satisfies additional criteria). The long- term debt proposal,** if adopted ~~in the United States — could heighten regulatory capital standards. While these revisions were planned for implementation by member countries by January 1 , 2023, the U. S. banking agencies have yet to propose rules to do so. At this time, how the revisions will be harmonized and finalized in the United States remains unclear, and no assurance can be provided that they~~ would ~~not further impact our business~~ **require Ally to maintain more long- term debt than it does currently** , **which would** ~~results of operations, financial condition, or prospects in an adverse~~ **adversely** ~~way~~ **affect interest expense, net interest income, and net interest margin** . Our business and financial results could be adversely affected by the political environment and governmental fiscal and monetary policies. A fractious or volatile political environment in the United States, including any related social unrest, could negatively impact business and market conditions, economic growth, financial stability, and business, consumer, investor, and regulatory sentiments, any one or more of which in turn could cause our business and financial results to suffer. In addition, disruptions in the foreign relations of the United States could adversely affect the automotive and other industries on which our business depends and our tax positions and other dealings in foreign countries. We also could be negatively impacted by political scrutiny of the financial- services industry in general or our business or operations in particular, whether or not warranted, and by an environment where criticizing financial- services providers or their activities is politically advantageous. Our business and financial results are also significantly affected by the fiscal and monetary policies of the U. S. government and its agencies. We are particularly affected by the monetary policies of the FRB, which regulates the supply of money and credit in the United States in pursuit of maximum employment, stable prices, and moderate long- term interest rates. The FRB and its policies influence the availability and demand for loans and deposits, the rates and other terms for loans and deposits, the conditions in equity, fixed- income, currency, and other markets, and the value of securities and other financial instruments. Refer to the risk factor below, titled The levels of or changes in interest rates could affect our results of operations and financial condition, for more information on how the FRB affects interest rates. These policies and related governmental actions could adversely affect every facet of our business and operations — for example, the new and used vehicle financing market, the creditworthiness of our customers, the cost of our deposits and other interest- bearing liabilities, and the yield on our earning assets. Additionally, changes to tax policies could have a significant impact on our results of operations and financial condition. For example, in August 2022, the Inflation Reduction Act was signed into law in the United States and, in part, imposes a 15 % corporate alternative minimum tax on certain large corporations, such as Ally, and a surcharge on stock repurchases. Tax and other fiscal policies, moreover, impact not only general economic and market conditions but also give rise to incentives or disincentives that affect how we and our customers prioritize objectives, deploy resources, and run households or operate businesses. Both the timing and the nature of any changes in monetary or fiscal policies, as well as their consequences for the economy and the markets in which we operate, are beyond our control and difficult to predict but could adversely affect us. If our ability to receive distributions from subsidiaries is restricted, we may not be able to satisfy our obligations to counterparties or creditors, make dividend payments to stockholders, or repurchase our common stock. Ally is a legal entity separate and distinct from its bank and nonbank subsidiaries and, in significant part, depends on dividend payments and other distributions from those subsidiaries to fund its obligations to counterparties and creditors, its dividend payments to stockholders, and its repurchases of common stock. ~~Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report.~~ Regulatory or other legal restrictions, deterioration in a subsidiary' s performance, or investments in a subsidiary' s own growth may limit the ability of the subsidiary to transfer funds freely to Ally. In particular, many of Ally' s subsidiaries are subject to laws that authorize their supervisory agencies to block or reduce the flow of funds to Ally in certain situations. In addition, if any subsidiary were unable to remain viable as a going concern, Ally' s right to participate in a distribution of assets would be subject to the prior claims of the subsidiary' s creditors (including, in the case of Ally Bank, its depositors and the FDIC). Legislative or regulatory initiatives on cybersecurity and data privacy could adversely impact our business and financial results. Cybersecurity and data- privacy risks have received heightened legislative and regulatory attention. For example, **in 2021** the U. S. banking agencies ~~have~~ adopted a final rule requiring us to notify the FRB within 36 hours of any significant computer security incident and have proposed enhanced cyber risk management standards applicable to us and our service providers that would address cyber risk governance and management, management of internal and external dependencies, and incident response, cyber resilience, and situational awareness. In addition, rulemakings by the SEC and the CFPB have commenced to further regulate cybersecurity risk governance (including incident disclosure) and personal- financial- data rights, respectively. Several states and their governmental agencies, such as the NYDFS, also have adopted or proposed cybersecurity and data- privacy laws. Privacy laws in the State of California, for example, require regulated entities to establish measures to identify, manage, secure, track, produce, and delete personal information. Legislation and regulations on cybersecurity and data privacy may compel us to enhance or modify our systems and infrastructure, invest in new systems and infrastructure, change our service providers, augment our scenario and vulnerability testing, or alter our business practices or our policies on security, data governance, and privacy. If any of these outcomes were to occur, the complexity and costs of our operations could increase significantly. In addition, if governmental authorities were to conclude that we or our service providers had not adequately implemented laws on cybersecurity and data privacy or had not otherwise met related supervisory expectations, we could be subject to enforcement and other supervisory actions, related litigation by private plaintiffs, reputational damage, or a loss of customer or investor confidence. Our business and financial results may be negatively affected by governmental responses to climate change and related environmental issues. Governments **and policymakers at the federal, state and international levels** are ~~intensely~~ **increasingly** focused on ~~the effects of~~ climate change and related environmental **, social and governance** issues ~~. For example~~ , ~~since December 2020, the FRB has become a member of the Network of Central Banks~~ and ~~Supervisors~~ **the potential** for ~~Greening the Financial System, created a Supervision Climate Committee to identify and assess financial risks from climate change and to develop a program to ensure the resilience of supervised firms to those risks, and created a Financial Stability Climate Committee to identify, assess, and address~~ climate- related risks to **impact the safety and soundness of large** financial ~~stability~~ **institutions** . **For example,** ~~The FRB also proposed~~ in ~~December 2022~~ **2021** ~~a high- level framework for the safe and sound management of exposures to climate- related financial risks for large banking organizations, such as Ally, after announcing in September 2022 that six of the nation' s largest banks will participate in a pilot climate- scenario- analysis exercise designed to enhance the ability of supervisors and firms to measure and manage climate- related financial risks. In addition~~ , President Biden ~~has~~ issued an Executive Order on Climate- Related Financial Risks, which in part ~~directs~~ **directed** the U. S. Treasury Secretary to work with other members of the Financial Stability Oversight Council to consider a number of actions. ~~Included among~~ **More recently, in 2023,** ~~them~~ - **the** ~~are~~ **FRB conducted a pilot climate scenario analysis exercise involving six of** the **nation** ~~Financial Stability Oversight Council~~ ' s ~~assessment~~ **largest banks designed to enhance the ability** of **supervisors and firms to measure and manage** climate- related financial ~~risk~~ **risks . The results of this exercise may result in future changes** to **the FRB' s supervisory activities and expectations with respect to Ally. Further, several states in which Ally operates, such as California, have enacted or proposed statutes or regulations addressing climate change and** ~~the~~ **other** ~~stability~~ **ESG issues. As a result** of **these and similar future developments at** the federal **, state and international levels, we may become subject to different and potentially conflicting requirements and expectations in the various jurisdictions in which we operate. Further, it is possible that** government **responses to actual or perceived changes in climate** and **related environmental risks** ~~the U. S. financial system~~ , ~~facilitation of~~ **including expectations regarding** the ~~sharing~~ **purpose** of **climate scenario analysis, may occur more rapidly than we (or third parties on whom we rely for certain** climate- **or** ~~related financial risk data and information among its members and~~ other **sustainability**

~~executive departments and agencies, and issuance of a report on any efforts by its members to integrate consideration of climate~~ - related **information or services) are able to adapt. Our ability to comply with these requirements and expectations, including responses to any inquiry or investigation from a regulatory agency, could have a material adverse effect on our operations, reputation and our** financial **results** ~~risk in their policies and programs. Further, the SEC has created a Climate and ESG Task Force in the Division of Enforcement, whose purpose includes proactively identifying ESG- related misconduct such as material gaps or misstatements in the disclosure of climate risks~~ . How governments act to ~~mitigate~~ **address** climate and related environmental risks, as well as associated changes in the behavior and preferences of businesses and consumers, could have an adverse effect on our business and financial results. ~~The FRB has announced its development of a program of scenario analysis to~~ **For example, physical and transition risks associated with climate change could affect households, communities, businesses, and governments, which could impede business activity, affect household incomes, and alter the** ~~evaluate~~ --- **value of assets and liabilities. These risks may be propagated through** the ~~potential economic~~ **economy** and financial **system, and as a result, the financial sector may experience credit and market** risks **associated with loss** ~~posed by different climate outcomes, and especially because~~ of **income** ~~our concentration in automotive finance and insurance~~ , **defaults** ~~this could have the effect of directly or indirectly compelling us to alter our businesses or operations in ways that would be detrimental to our results of operations and prospects. Such a program, moreover, could be followed by an~~ **and** ~~incorporation~~ **changes in the values** of **assets, liquidity** ~~climate and related environmental~~ risks **associated with changing demand for liquidity** ~~into the FRB' s supervisory stress tests~~ , ~~which may negatively impact us and~~ **operational risks associated with disruptions to infrastructure** ~~our~~ - **or** ~~future capital plans~~ **other channels, or legal risks** . ~~Further~~ **For example** , we may ~~be compelled to~~ change or cease some of our business or operational practices or ~~to~~ incur additional capital, compliance, and other costs because of climate- or environmental- driven changes in applicable law or supervisory expectations or due to related political, social, market, or similar pressure ~~. We also could experience a decline in the demand for and value of used gasoline-powered vehicles that secure our loans to dealers, retailers, and consumers or that we remarket. It is possible as well that changes in climate and related environmental risks, perceptions of them, and governmental responses to them may occur more rapidly than we are able to adapt without disrupting our business and impairing our financial results~~ . Risks Related to Our Business Weak or deteriorating economic conditions, failures in underwriting, changes in underwriting standards, financial or systemic shocks, or continued growth in our nonprime or used vehicle financing business could increase our credit risk, which could adversely affect our business and financial results. Our business is centered around lending and banking with an emphasis on our digital platform, and a significant percentage of our assets are composed of loans, operating leases, and securities. As a result, in the ordinary course of business, credit risk is one of our most significant risks. Our business and financial results depend significantly on household, business, economic, and market conditions. When those conditions are weak or deteriorating, we could simultaneously experience reduced demand for credit and increased delinquencies or defaults, including in the loans that we have securitized and in which we retain a residual interest. These kinds of conditions also could dampen the demand for products and services in our insurance, banking, brokerage, advisory, and other businesses. Increased delinquencies or defaults could also result from our failing to appropriately underwrite loans and operating leases that we originate or purchase or from our adopting — for strategic, competitive, or other reasons — more liberal underwriting standards. If delinquencies or defaults on our loans and operating leases increase, their value and the income derived from them could be adversely affected, and we could incur increased administrative and other costs in seeking a recovery on claims and any collateral. If unfavorable conditions are negatively affecting used vehicle or other collateral values at the same time, the amount and timing of recoveries could suffer as well. Weak or deteriorating economic conditions also may negatively impact the market value and liquidity of our investment securities, and we may be required to record additional impairment charges that adversely affect earnings if debt securities suffer a decline in value that is considered other- than- temporary. There can be no assurance that our forecasts of economic conditions, our assessments and monitoring of credit risk, and our efforts to mitigate credit risk through risk- based pricing, appropriate underwriting and investment policies, loss- mitigation strategies, and diversification are, or will be, sufficient to prevent an adverse impact to our business and financial results. For example, early loss performance in our consumer automotive lending portfolio is trending higher compared to expectations at the time of origination for loans originated **in** ~~between the third quarter of 2021~~ **2022 ,** and **more specifically** the second ~~quarter~~ **half** of 2022. In addition, because of CECL, our financial results may be negatively affected as soon as weak or deteriorating economic conditions are forecasted and alter our expectations for credit losses ~~. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report~~ . A financial or systemic shock and a failure of a significant counterparty or a significant group of counterparties could negatively impact us as well, possibly to a severe degree, due to our role as a financial intermediary and the interconnectedness of the financial system. We continue to have exposure to nonprime consumer automotive financing and used vehicle financing. We define nonprime consumer automotive loans primarily as those loans with a FICO ® Score (or an equivalent score) at origination of less than 620. Customers that finance used vehicles tend to have lower FICO ® Scores as compared to new vehicle customers, and defaults resulting from vehicle breakdowns are more likely to occur with used vehicles as compared to new vehicles that are financed. The carrying value of our nonprime consumer automotive loans before allowance for loan losses was $ 8. ~~8~~ **7** billion, or approximately 10. ~~6~~ **3** % of our total consumer automotive loans at December 31, ~~2022~~ **2023** , as compared to $ 8. 8 billion, or approximately ~~11~~ **10** . ~~3~~ **6** % of our total consumer automotive loans at December 31, ~~2021~~ **2022** . At December 31, **2023, and** 2022, **$ 258 million** and ~~2021,~~ $ 302 ~~million and $ 294~~ million, respectively, of nonprime consumer automotive loans were considered nonperforming as they had been placed on nonaccrual status in accordance with our accounting policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. Additionally, the carrying value of our consumer automotive used vehicle loans before allowance for loan losses was $ ~~55~~ **57** . ~~7~~ **6** billion, or approximately ~~67~~ **68** . ~~0~~ **3** % of our total consumer automotive loans at December 31, ~~2022~~ **2023** , as compared to $ ~~49~~ **55** . ~~3~~ **7** billion, or approximately ~~63~~ **67** . 0 % of our total consumer automotive loans at December 31, ~~2021~~ **2022** . If our exposure to nonprime consumer automotive loans or used vehicle financing continue to increase over time, our credit risk will increase to a possibly significant degree. As part of the underwriting process, we rely heavily upon information supplied by applicants and other third parties, such as credit reporting agencies, automotive dealers and retailers (in the case of automotive consumer and commercial loans), and service providers (in the case of unsecured personal loans). If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, we may experience increased credit risk. Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to significantly increase our allowance, which may adversely affect our financial condition and results of operations. On January 1, 2020, we adopted CECL to measure credit losses for financial assets measured at amortized cost, which includes the vast majority of our finance receivables and loan portfolio. Under CECL, the allowance is established to reserve for management' s best estimate of expected lifetime losses inherent in our finance receivables and loan portfolio. CECL substantially increased our allowance for loan losses with a resulting negative day- one adjustment to equity on January 1, 2020 ~~. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report~~ . Regulatory agencies periodically review our allowance for loan losses, as well as our methodology and models used for calculating our allowance for loan losses, and from time to time may insist on an increase in the allowance for loan losses or the recognition of additional loan charge- offs based on judgments different than those of management. If these differences in judgment are considerable, our allowance could meaningfully increase and result in a sizable decrease in our net income and capital. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current and future credit risks using existing quantitative and qualitative information, all of which may change substantially over time. Changes in economic conditions affecting borrowers, revisions to accounting rules and related guidance, new qualitative or quantitative information about existing loans, identification of additional problem loans, changes in the size or composition of our finance receivables and loan portfolio, changes to our models or loss estimation techniques including consideration of forecasted economic assumptions, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. For example, **increases in factors such as unemployment, or inflation, or decreases in GDP, real personal income, used vehicle values, or home values, beyond what is reflected in our models, could result in an increased inability for consumers to pay their loans, and may result in an increase in the allowance for loan losses. Additionally,** our shift to a full credit spectrum consumer automotive finance portfolio over the past several years has resulted in additional increases in our allowance for loan losses, and could result in additional increases in the future. Any increase in the allowance in future periods may adversely affect our financial condition or results of operations. Refer to the risk factor below, titled Our business and operations make extensive use of models, and we could be adversely affected if our design, implementation, or use of models is flawed, for more information on how risks associated with our use of models could affect our allowance for loan losses. We have dealer- centric automotive finance and insurance businesses, and a change in the key role of dealers within the automotive industry or our ability to maintain or build relationships with them could have an adverse effect on our business, results of operations, financial condition, or prospects. Our Dealer Financial Services business, which includes our Automotive Finance and Insurance segments, depends on the continuation of the key role of dealers within the automotive industry, the maintenance of our existing relationships with dealers, and our creation of new relationships with dealers. Refer to the section titled Our Business in the MD & A that follows. A number of trends are affecting the automotive industry and the role of dealers within it. These include challenges to the dealer' s role as intermediary between manufacturers and purchasers, shifting financial and other pressures exerted by manufacturers on dealers, the rise of vehicle sharing and ride hailing, the development of autonomous and alternative- energy vehicles, the impact of demographic shifts on attitudes and behaviors toward vehicle ownership and use, changing consumer and regulatory expectations around the vehicle buying experience, adjustments in the geographic distribution of new and used vehicle sales, and advancements in communications technology. While it is not currently clear how and how quickly these trends may develop, any one or more of them could adversely affect the key role of dealers and their business models, profitability, and viability, and if this were to occur, our dealer- centric automotive finance and insurance businesses could suffer as well. Our share of commercial wholesale financing remains at risk of decreasing in the future as a result of intense competition and other factors. The number of dealers with whom we have wholesale relationships decreased approximately ~~4~~ **5** % as of December 31, ~~2022~~ **2023** , compared to December 31, ~~2021~~ **2022** . If we are not able to maintain existing relationships with significant automotive dealers or if we are not able to develop new relationships for any reason — including if we are not able to provide services on a timely basis, offer products and services that meet the needs of the dealers, compete successfully with the products and services of our competitors, or effectively counter the influence that captive automotive finance companies have in the marketplace or the exclusivity privileges that some competitors have with automotive manufacturers — our wholesale funding volumes, and the number of dealers with whom we have retail funding relationships, could decline in the future. If this were to occur, our business, results of operations, financial condition, or prospects could be adversely affected. GM and Stellantis dealers and their retail customers continue to constitute a significant portion of our customer base, which creates concentration risk for us. While we continue to diversify our automotive finance and insurance businesses and to expand into other financial services, GM and Stellantis dealers and their retail customers still constitute a significant portion of our customer base. In ~~2022~~ **2023** , ~~31~~ **28** % of our new vehicle dealer inventory financing and ~~22~~ **23** % of our consumer automotive financing volume were transacted for GM dealers and customers, and ~~55~~ **53** % of our new vehicle dealer inventory financing and ~~22~~ **20** % of our consumer automotive financing volume were transacted for Stellantis dealers and customers. In ~~2021~~ **2022** , 31 % of our new vehicle dealer inventory financing and ~~21~~ **22** % of our consumer automotive financing volume were transacted for GM- franchised dealers and customers, and ~~48~~ **55** % of our new vehicle dealer inventory financing and ~~26~~ **22** % of our consumer automotive financing volume were transacted for Stellantis dealers and customers. ~~GM, Stellantis, and their captive finance companies compete vigorously with us and could take further actions that negatively impact the amount of business that we do~~

~~with GM and Stellantis dealers and their customers.~~ A significant adverse change in GM' s or Stellantis' business — including, for example, in the production or sale of GM or Stellantis vehicles, the quality or resale value of GM or Stellantis vehicles, GM' s or Stellantis' relationships with its key suppliers, or the rate or volume of recalls of GM or Stellantis vehicles — could negatively impact our GM and Stellantis dealer and retail customer bases and the value of collateral securing our extensions of credit to them. Any future reductions in GM and Stellantis business that we are not able to offset could adversely affect our business and financial results. **Refer to Note 29 to the Consolidated Financial Statements for additional information.** Our business and financial results are dependent upon overall U. S. automotive industry sales volume. Our automotive finance and insurance businesses can be impacted by the sales volume for new and used vehicles. Vehicle sales are impacted, in turn, by several economic and market conditions, including employment levels, household income and savings, interest rates, credit availability, inventory levels, customer preferences, and fuel costs. For example, new vehicle sales decreased dramatically during the economic crisis that began in 2007 – 2008 and did not rebound significantly until 2012 and 2013. **A** ~~More recently, automotive manufacturers have continued to experience shortages in their supply of semiconductor chips and other supply chain delays, which have materially constrained their production and sale of new vehicles. Additionally, a~~ meaningful rise in inflation during 2021 and through 2022 prompted the FRB to sharply increase the federal funds rate ~~more than expected~~ during 2022 ~~,~~ and ~~FRB officials have signaled that further increases are expected in~~ 2023. The current level and trajectory of borrowing costs ~~could~~ **has** adversely affect demand for new and used vehicles **and could continue to do so** in the **future** ~~near term~~. Any future declines in new or used vehicle sales could have an adverse effect on our business and financial results. Vehicle loans and operating leases make up a significant part of our earning assets, and our business and financial results could suffer if used vehicle prices are low or volatile or decrease in the future **beyond our expectation** . During the year ended December 31, ~~2022~~ **2023** , approximately 58 % of our average earning assets were composed of vehicle loans or operating leases and related residual securitization interests. If we experience higher losses on the sale of repossessed vehicles or lower or more volatile residual values for off- lease vehicles, our business or financial results could be adversely affected. General economic conditions, the supply of off- lease and other vehicles to be sold, the levels of demand for vehicle ownership and use, relative market prices for new and used vehicles, perceived vehicle quality, the shift from gasoline to electric vehicles, overall vehicle prices, the vehicle disposition channel, volatility in gasoline or diesel fuel prices, levels of household income and savings, interest rates, and other factors outside of our control heavily influence used vehicle prices. Consumer confidence levels and the strength of automotive manufacturers, dealers, and retailers can also influence the used vehicle market. For example, during the economic crisis that began in 2007 – 2008, sharp declines in used vehicle demand and sale prices adversely affected our remarketing proceeds and financial results. Our expectation of the residual value of a vehicle subject to an automotive operating lease contract is a critical element used to determine the amount of the operating lease payments under the contract at the time the customer enters into it. As a result, to the extent that the actual residual value of the vehicle — as reflected in the sale proceeds received upon remarketing at lease termination — is less than the expected residual value for the vehicle at lease inception, we will incur additional depreciation expense and lower profit on the operating lease transaction than our priced expectations. Our expectation of used vehicle values is also a factor in determining our pricing of new loan and operating lease originations. In stressed economic environments, residual- value risk may be even more volatile than credit risk. To the extent that used vehicle prices are significantly lower than our expectations, our profit on vehicle loans and operating leases could be substantially less than our expectations, even more so if our estimate of loss frequency is underestimated as well. In addition, we could be adversely affected if we fail to efficiently process and effectively market off- lease vehicles and repossessed vehicles and, as a consequence, incur higher- than- expected disposal costs or lower- than- expected proceeds from the vehicle sales. The levels of or changes in interest rates could affect our results of operations and financial condition. We are highly dependent on net interest income, which is the difference between interest income on earning assets (such as loans and investments) and interest expense on deposits and borrowings. Net interest income is significantly affected by market rates of interest, which in turn are influenced by monetary and fiscal policies, general economic and market conditions (including high or increasing levels of inflation), the political and regulatory environments, business and consumer sentiment, competitive pressures, and expectations about the future (including future changes in interest rates). We may be adversely affected by policies, laws, and events that have the effect of flattening or inverting the yield curve (that is, the difference between long- term and short- term interest rates), depressing the interest rates associated with our earning assets to levels near the rates associated with our interest expense, increasing the volatility of market rates of interest (including the rate of change), or changing the spreads among different interest rate indices. As of December 31, ~~2022~~ **2023** , we ~~remain liability~~ **view the balance sheet as being modestly asset-** sensitive **in the** ~~and expect increasing interest rates to have a negative impact to our~~ near- term ~~net~~ **to changes in** interest ~~income~~ **rates, as we expect the assumed repricing of our floating- rate assets and pay- fixed swaps to modestly outpace the assumed repricing of our liabilities, primarily retail deposits. Within a 12- month horizon, we expect the balance sheet to revert to liability sensitive** . The levels of or changes in interest rates could adversely affect us beyond our net interest income, including by increasing the cost or decreasing the availability of deposits or other variable- rate funding instruments, reducing the return on or demand for loans or increasing the prepayment speed of loans, increasing customer or counterparty delinquencies or defaults, negatively impacting our ability to remarket off- lease and repossessed vehicles, and reducing the value of our loans, retained interests in securitizations, and fixed- income securities in our investment portfolio and the efficacy of our hedging strategies. For example, recent increases in interest rates have resulted in, and could in the future further result in, unrealized losses in our investment securities portfolio, which are recognized in accumulated other comprehensive loss within the Consolidated Balance Sheet. We recognize the accumulated change in estimated fair value of these fixed- income securities in net income when we realize a gain or loss upon the sale of the security. The level of and changes in market rates of interest — and, as a result, these risks and uncertainties — are beyond our control. The dynamics among these risks and uncertainties are also challenging to assess and manage. For example, while an accommodative monetary policy may benefit us to some degree by spurring economic activity among our customers, such a policy may ultimately cause us more harm by inhibiting our ability to grow or sustain net interest income. A rising interest rate environment can pose different challenges, such as potentially slowing the demand for credit, increasing delinquencies and defaults, and reducing the values of our loans and fixed- income securities. Market volatility in interest rates, including the rate of change, can create particularly difficult conditions. Following a prolonged period in which the federal funds rate was stable or decreasing, the FRB increased this benchmark rate on a number of occasions during 2017 and 2018 and began to end its quantitative- easing program and reduce the size of its balance sheet. During 2019, however, the FRB reversed course and reduced the federal funds rate several times and, in March 2020, reduced the target range for the federal funds rate to zero to 0. 25 percent. A meaningful rise in inflation during 2021 and through 2022 prompted the FRB to sharply increase the federal funds rate more than expected ~~during~~ **. The federal funds target range reached 5. 25 – 5. 50 % in** ~~2022~~ **2023 . However** , ~~and~~ FRB officials have signaled that ~~further increases~~ **decreases** are ~~expected in~~ **likely for** ~~2023~~ **2024** ~~. Refer to the section titled Market Risk in the MD & A that follows~~ and ~~Note 21 to~~ the ~~Consolidated Financial Statements. The discontinuation of LIBOR may adversely affect our business and financial results. LIBOR meaningfully influences market~~ **markets expect** ~~interest rates around the globe. We have exposure to LIBOR- based contracts through~~ a ~~number~~ **decrease** of **more** ~~our finance receivables and loans, primarily commercial automotive loans and corporate finance loans, as well as certain investment securities and other arrangements. In March 2021, the United Kingdom Financial Conduct Authority, which regulates LIBOR' s administrator, announced that U. S. dollar LIBOR settings (other~~ than **one percentage point** ~~the 1- week and 2- month U. S. dollar LIBOR settings) will cease to be provided or cease to be representative after June 30, 2023. The publication of the 1- week and 2- month U. S. dollar LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. The LIBOR Act, enacted in March 2022, provides a uniform approach for replacing LIBOR as a reference interest rate in tough legacy contracts — that is, contracts that do not include effective fallback provisions — when LIBOR is no longer published or is no longer representative. Under the LIBOR Act, references to the most common tenors of LIBOR in these contracts will be replaced as a matter of law, without the need to be amended~~ by the ~~parties~~ **end of 2024** , ~~to instead reference benchmark interest rates~~ based on ~~SOFR that will be identified by the FRB. The FRB issued a final rule effective February 27, 2023, to implement the LIBOR Act. Ally continues to evaluate the effects of the LIBOR Act and the FRB' s final rule on Ally' s LIBOR- linked contracts, which remain uncertain. Although governmental authorities have endeavored to facilitate an orderly discontinuation of LIBOR, no assurance can be provided that this aim will be achieved or that the use, level, and volatility of LIBOR or other interest rates or the value of LIBOR- based securities will not be adversely affected. Further, the viability of SOFR as an alternative reference rate and the availability and acceptance of other alternative reference rates remain unclear and also may have adverse effects on market rates of interest and the value of securities and other financial arrangements. In addition, although the LIBOR Act and its implementing regulations include safe harbors if the FRB' s SOFR- based replacement rates are selected, these safe harbors are untested, and we could still be exposed to risks associated with disputes and litigation with customers, counterparties, and other market participants in connection with implementing replacement rates for LIBOR. These uncertainties, proposals and actions to resolve them~~ - **the implied forward curve** ~~, and their ultimate resolution also could negatively impact our funding costs, loan and other asset values, asset- liability management strategies, and other aspects of our business and financial results~~ . Refer to the section titled Market Risk in the MD & A that follows and Note 21 to the Consolidated Financial Statements. We rely extensively on third- party service providers in delivering products and services to our customers and otherwise conducting our business and operations, and their failure to perform to our standards or other issues of concern with them could adversely affect our reputation, business, and financial results. We seek to distinguish ourselves as a customer- centric company that delivers passionate customer service and innovative financial solutions and that is relentlessly focused on “ Doing it Right. ” Third- party service providers, however, are key to much of our business and operations, including online and mobile banking, mortgage finance, ~~personal lending,~~ credit cards, brokerage, customer service, and operating systems and infrastructure. While we have implemented a supplier- risk- management program and can exert varying degrees of influence over our service providers, we do not control them, their actions, or their businesses. Our contracts with service providers, moreover, may not require or sufficiently incent them to perform at levels and in ways that we would choose to act on our own. Despite our supplier- risk- management program, service providers have not always met our requirements and expectations, and no assurance can be provided that in the future they will perform to our standards, adequately represent our brand, comply with applicable law, appropriately manage their own risks (including cybersecurity), remain financially or operationally viable, abide by their contractual obligations, or continue to provide us with the services that we require. In such a circumstance, our ability to deliver products and services to customers, to satisfy customer expectations, and to otherwise successfully conduct our business and operations have been and, in the future, could be adversely affected. In addition, we may need to incur substantial expenses to address issues of concern with a service provider, and if the issues cannot be acceptably resolved, we may not be able to timely or effectively replace the service provider due to contractual restrictions, the unavailability of acceptable alternative providers, or other reasons. Further, regardless of how much we can influence our service providers, issues of concern with them could result in supervisory actions and private litigation against us and could harm our reputation, business, and financial results. As a financial- services company, we are regularly involved in pending or threatened legal proceedings and other matters and are or may be subject to potential liability in connection with them. These legal matters may be formal or informal and include litigation and arbitration with one or more identified claimants, certified or purported class actions with yet- to- be- identified claimants, and regulatory or other governmental information- gathering requests, examinations, investigations, and enforcement proceedings. Our legal matters exist in varying stages of adjudication, arbitration, negotiation, or investigation and span our business lines and operations. Claims may be based in law or equity — such as those arising under contracts or in tort and those involving banking, consumer- protection, securities, tax, employment, and other laws — and some can present novel legal theories and allege substantial or indeterminate damages **. In addition, our income tax positions have been and could** continue to be challenged by taxing authorities, and any adverse results could materially impact our business, results of operations, and financial condition . The course and outcome of legal matters are inherently unpredictable. This is especially so when a matter is still in its early stages, the damages sought are indeterminate or unsupported, significant facts are unclear or disputed, novel questions of law or other meaningful legal uncertainties exist, a request to certify a proceeding as a class action is outstanding or granted, multiple parties are named, or regulatory or other governmental entities are involved. Other contingent exposures and their ultimate resolution are similarly unpredictable for reasons that can vary based on the circumstances. As a result, we often are unable to determine how or when threatened or pending legal matters and other contingent exposures will be resolved and what losses may be incrementally and ultimately incurred. Actual losses may be higher or lower than any amounts accrued or estimated for those matters and other exposures, possibly to a significant degree. Refer to Note 29 to the Consolidated Financial Statements. In addition, while we maintain insurance policies to mitigate the cost of litigation and other proceedings, these policies have deductibles, limits, and exclusions that may diminish their value or efficacy. Substantial legal claims, even if not meritorious, could have a detrimental impact on our business, results of operations, and financial condition and could cause us reputational harm. Our inability to attract, retain, or motivate qualified employees could adversely affect our business or financial results. Skilled employees are our most important resource, and competition for talented people is intense. Even though compensation and benefits expense is among our highest costs, we may not be able to locate and hire the best people, keep them with us, or properly motivate them to perform at a high level. This risk may be exacerbated due to some of our competitors having significantly greater scale, financial and operational resources, and brand recognition. While we strive to mitigate human- capital risks, our senior executives and other key leaders have deep and broad industry experience and would be difficult to replace without some degree of disruption. **For example, in October 2023 our former CEO provided notice of his intent to retire, and the search for a permanent replacement remains ongoing. In addition, our former General Counsel provided his notice of resignation and left the company in December 2023 and our current President of Consumer and Commercial Banking has provided notice of her intent to retire effective July 1, 2024. As a result of these departures, we may face disruption in our business as we seek to identify and transition permanent successors into these roles.** In addition, we may experience competition in retaining employees based on remote or other flexible work arrangements, and our ability to attract or retain qualified employees may be adversely affected if our work arrangements are perceived as less favorable than those of our competitors. Continued scrutiny of compensation practices, especially in the financial services industry, has made this competition for talent only more difficult. In addition, many parts of our business are particularly dependent on key personnel, and retaining talented people in certain areas, ~~such as technology,~~ has been challenging. Further, growth in our businesses, through acquisitions or otherwise, will further increase our need for skilled employees. If we were to lose and find ourselves unable to replace these personnel or other skilled employees or if the competition for talent were to drive our compensation costs to unsustainable levels, our management of operational and other risks could suffer, and our business and financial results could be negatively impacted. Our ability to successfully make acquisitions **or complete divestitures** is subject to significant risks, including the risk that governmental authorities will not provide the requisite approvals, the risk that integrating acquisitions may be more difficult, costly, or time consuming than expected, and the risk that the value of acquisitions may be less than anticipated. We may from time to time seek to acquire other financial- services companies or businesses **or divest an existing business** . These acquisitions **or divestitures** may be subject to regulatory approval, and no assurance can be provided that we will be able to obtain that approval in a timely manner or at all or that approval may not be subject to burdensome conditions. This risk has become more pronounced in **recent** ~~the last year~~ **years** as several governmental officials have expressed skepticism about the value of further consolidation in the financial-services industry. ~~Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report.~~ Even when we are able to obtain regulatory approval, the failure of other closing conditions to be satisfied or waived could delay the completion of an acquisition **or divestiture** for a significant period of time or prevent it from occurring altogether. Any failure or delay in closing an acquisition **or divestiture** could adversely affect our reputation, business, and performance **. In addition, divestitures can negatively impact our financial results and we may not be able to complete a divestiture on terms favorable to us** . Acquisitions involve numerous risks and uncertainties, including inaccurate financial and operational assumptions, incomplete or failed due diligence, lower- than- expected performance, higher- than- expected costs, difficulties related to integration, diversion of management' s attention from other business activities, adverse market or other reactions, changes in relationships with customers or counterparties, the potential loss of key personnel, and the possibility of litigation and other disputes. An acquisition also could be dilutive to our existing stockholders if we were to issue common stock to fully or partially pay or fund the purchase price. We, moreover, may not be successful in identifying appropriate acquisition candidates, integrating acquired companies or businesses, or realizing expected value from acquisitions. There is significant competition for valuable acquisition targets, and we may not be able to acquire other companies or businesses on attractive terms. No assurance can be given that we will pursue future acquisitions, and our ability to grow and successfully compete may be impaired if we choose not to pursue or are unable to successfully make acquisitions. Our business requires substantial capital and liquidity, and a disruption in our funding sources or access to the capital markets may have an adverse effect on our liquidity, capital positions, and financial condition. Liquidity is the ability to fund increases in assets and meet obligations as they come due, all without incurring unacceptable losses. Banks are especially vulnerable to liquidity risk because of their role in the maturity transformation of demand or short- term deposits into longer- term loans or other extensions of credit. We, like other financial services companies, rely to a significant extent on external sources of funding (such as deposits and borrowings) for the liquidity needed to conduct our business and operations. A number of factors beyond our control, however, could have a detrimental impact on the availability or cost of that funding and thus on our liquidity. These include market disruptions, changes in our credit ratings or the sentiment of our investors, the state of the regulatory environment and monetary and fiscal policies, competitive dynamics, reputational damage, the confidence of depositors in us **or the financial- services industry**

generally , financial or systemic shocks, and significant counterparty failures **. For example, in August 2023, the U. S. banking agencies issued a proposed rule that would require Category II, III, and IV firms, their large consolidated banks, and other institutions to issue and maintain minimum amounts of long- term debt that is most readily able to absorb losses in a resolution proceeding. Due to the current structure and amount of debt instruments issued by Ally and Ally Bank, this proposal would significantly affect us. Refer to Note 20 to the Consolidated Financial Statements for further discussion** . Weak business or operational performance, unexpected declines or limits on dividends or other distributions from our subsidiaries, and other failures to execute our strategic plan also could adversely affect Ally' s liquidity position. We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding as our deposits have grown **to 88 % of our total funding profile as of December 31, 2023** , it remains an important component of our capital structure and financing plans. At December 31, ~~2022~~ **2023** , approximately $ ~~2.~~ 1 **. 5** billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in ~~2023~~ **2024** , and approximately $ ~~1~~ **2** . 5 billion and $ **149** ~~2. 5 billion~~ **million** is scheduled to mature in ~~2024 and~~ 2025 **and 2026** , respectively. We also utilize secured funding. At December 31, ~~2022~~ **2023** , approximately $ 2. ~~4~~ **9** billion in principal amount of total outstanding consolidated secured long- term debt is scheduled to mature in ~~2023~~ **2024** , approximately $ ~~2~~ **1** . 9 billion is scheduled to mature in ~~2024~~ **2025** , and approximately $ 1. ~~4~~ **7** billion is scheduled to mature in ~~2025~~ **2026** . Furthermore, at December 31, ~~2022~~ **2023** , approximately $ ~~26~~ **43** . ~~1~~ **5** billion in certificates of deposit at Ally Bank are scheduled to mature in ~~2023~~ **2024** , which is not included in the amounts provided above. Additional funding, whether through deposits or borrowings, will be required to fund a substantial portion of the debt maturities over these periods **, and we may not be able to obtain such additional funding at interest rates or on other terms as favorable as the interest rates and other terms on the maturing debt** . At times we may rely on our ability to borrow from other financial institutions, and bank facilities are generally up for renewal on a yearly basis. Any weakness in market conditions, tightening of credit availability, or other events referenced earlier in this risk factor could have a negative effect on our ability to refinance any existing facilities and could increase the costs of bank funding. Ally and Ally Bank also continue to access the securitization markets. While those markets have stabilized following the liquidity crisis that commenced in 2007 – 2008, there can be no assurances that these sources of liquidity will remain available to us. Our policies and controls are designed to enable us to maintain adequate liquidity to conduct our business in the ordinary course even in a stressed environment. There is no guarantee, however, that our liquidity position will never become compromised **or that our policies and controls will be effective in managing our liquidity risk** . In such an event, we may be required to sell assets at a loss or reduce loan and operating lease originations in order to continue operations. This could damage the performance and value of our business, prompt regulatory intervention and private litigation, harm our reputation, and cause a loss of customer and investor confidence, and if the condition were to persist for any appreciable period of time, our viability as a going concern could be threatened. Refer to the section titled Liquidity Management, Funding, and Regulatory Capital in the MD & A that follows and Note 20 to the Consolidated Financial Statements. Our indebtedness and other obligations are significant and could adversely affect our business and financial results. We have a significant amount of indebtedness apart from deposit liabilities. At December 31, ~~2022~~ **2023** , we had approximately $ 18. ~~6~~ **3** billion in principal amount of indebtedness outstanding (including $ 7. ~~7~~ **1** billion in secured indebtedness). Interest expense on our indebtedness was equal to approximately 8 % of our total financing revenue and other interest income for the year ended December 31, ~~2022~~ **2023** . We also have the ability to create additional indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, more of our cash flow from operations would need to be allocated to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to execute our strategic plan and withstand competitive pressures and could reduce our flexibility in responding to changing business and economic conditions. In addition, if we are unable to satisfy our indebtedness and other obligations in full and on time, our business, reputation, and value as a going concern could be profoundly and perhaps inexorably damaged. Our **non- deposit** borrowing costs and access to the banking and capital markets could be negatively impacted if our credit ratings are downgraded or otherwise fail to meet investor expectations. The cost and availability of our funding are meaningfully affected by our short- and long- term credit ratings. Each of Standard & Poor' s Rating Services, Moody' s Investors Service, Inc., Fitch, Inc., and Dominion Bond Rating Service rates some or all of our debt, and these ratings reflect the rating agency' s opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. Agency ratings are not a recommendation to buy, sell, or hold any security and may be revised or withdrawn at any time. Each agency' s rating should be evaluated independently of any other agency' s rating. **In August 2023, citing macroeconomic trends impacting the banking industry, such as increased costs of funding and rapid tightening in monetary policy, Moody' s downgraded the credit ratings of a number of banks. Additionally, Moody' s downgraded the outlook of a number of banks, including Ally, where the outlook was lowered from Stable to Negative. Any** ~~Future~~ **future** downgrades to our credit ratings or their failure to meet investor expectations may result in higher **non- deposit** borrowing costs, reduced access to the banking and capital markets, more restrictive terms and conditions being added to any new or replacement financing arrangements. The markets for automotive financing, insurance, banking (including corporate finance, mortgage finance ~~, point- of- sale personal lending~~ , and credit- card products), brokerage, and investment- advisory services are extremely competitive, and competitive pressures could adversely affect our business and financial results. The markets for automotive financing, insurance, banking (including corporate finance, mortgage finance, ~~point- of- sale personal lending,~~ and credit- card products), brokerage, and investment- advisory services are highly competitive, and we expect competitive pressures only to intensify in the future, especially in light of the regulatory and supervisory environments in which we operate, innovations that alter the barriers to entry, current and evolving economic and market conditions, changing customer preferences and consumer and business sentiment, and monetary and fiscal policies. In addition, the emergence, adoption, and evolution of new technologies that affect intermediation, including distributed ledgers such as digital assets and blockchain, as well as advances in robotic process automation **or artificial intelligence** could significantly affect the competition for financial services. Refer to the section above titled Industry and Competition in Part I, Item 1 of this report. Competitive pressures may drive us to take actions that we might otherwise eschew, such as lowering the interest rates or fees on loans, raising the interest rates on deposits, or adopting more liberal underwriting standards. These pressures also may accelerate actions that we might otherwise elect to defer, such as substantial investment in systems or infrastructure. Whatever the reason, actions that we take in response to competition may adversely affect our results of operations and financial condition. These consequences could be exacerbated if we are not successful in introducing new products and services, achieving market acceptance of our products and services, developing and maintaining a strong customer base, continuing to enhance our reputation, or prudently managing risks and expenses. Challenging business, economic, or market conditions may adversely affect our business, results of operations, and financial condition. Our businesses are driven by robust economic and market activity, monetary and fiscal stability, and positive investor, business, and consumer sentiment. A downturn in economic conditions, disruptions in the equity or debt markets, high unemployment or underemployment, depressed vehicle or housing prices, unsustainable debt levels, high inflation, **high interest rates,** unfavorable changes in interest rates, declines in household incomes or savings, deteriorating consumer or business sentiment, consumer or commercial bankruptcy filings, or declines in the strength of national or local economies could decrease demand for our products and services, increase the amount and rate of delinquencies and losses, raise our operating and other expenses, and negatively impact the returns on and the value of our loans, investment portfolio, and other assets. Further, if a significant and sustained increase in fuel prices or other adverse conditions were to lead to diminished new and used vehicle purchases or prices, our automotive finance and insurance businesses could suffer considerably. In addition, concerns about the pace of economic growth and uncertainty about fiscal and monetary policies can result in significant volatility in the financial markets and could impact our ability to obtain cost- effective funding. If any of these events were to occur or worsen, our business, results of operation, and financial condition could be adversely affected. Geopolitical conditions, **government shutdowns,** military conflicts, acts or threats of terrorism, natural disasters, pandemics, and other conditions or events beyond our control could adversely affect us. Geopolitical conditions **, government shutdowns** , military conflicts (including Russia' s invasion of Ukraine **and the conflicts in the Middle East**), acts or threats of terrorism, natural disasters, pandemics (including the COVID- 19 pandemic), and other conditions or events beyond our control may adversely affect our business, results of operations, financial condition, or prospects. For example, military conflicts, acts or threats of terrorism, and political, financial, or military actions taken in response could adversely affect general economic, business, or market conditions and, in turn, us, especially as an intermediary within the financial system. In addition, nation states engaged in warfare or other hostile actions may directly or indirectly use cyberattacks against financial systems and financial- services companies like us to exert pressure on one another or other countries with influence or interests at stake. We also could be negatively impacted if our key personnel, a significant number of our employees, or our systems or infrastructure were to become unavailable or damaged due to a pandemic, natural disaster, war, act of terrorism, accident, or similar cause **. Furthermore, a shutdown of the United States government could adversely affect the economy and increase the risk of economic instability and market volatility, which could have an adverse impact on our business, financial condition, liquidity, and results of operations** . These same risks and uncertainties arise too for the service providers and counterparties on whom we depend as well as their own third- party service providers and counterparties. ~~The~~ **For example, the** most notable impact of COVID- 19 on our results of operations was a significant increase in our provision expense for credit losses during the year ended December 31, 2020. This was primarily driven by incremental reserves associated with a deterioration in macroeconomic conditions, such as unemployment, following the onset of the pandemic. In the case of Russia' s invasion of Ukraine **and the current conflicts in the Middle East** , security risks as well as increases in fuel and other commodity costs, supply- chain disruptions, and associated inflationary pressures have impacted our business the most. These conditions and events and others like them are highly complex and inherently uncertain, and their effect on our business, results of operations, financial condition, and prospects in the future cannot be reliably predicted. Our hedging strategies may not be successful in mitigating our interest rate, foreign exchange, and market risks, which could adversely affect our financial results. We employ various hedging strategies to mitigate the interest rate, foreign exchange, and market risks inherent in many of our assets and liabilities. Our hedging strategies rely considerably on assumptions and projections regarding our assets and liabilities as well as general market factors. If any of these assumptions or projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes in interest rates, foreign exchange rates, and other market factors, we may experience volatility in our earnings that could adversely affect our profitability and financial condition. In addition, we may not be able to find market participants that are willing to act as our hedging counterparties on acceptable terms or at all, which could have an adverse effect on the success of our hedging strategies. Our hedging strategies are not designed to eliminate all interest rate, foreign exchange, and market risks, and we were adversely impacted from rising interest rates in 2022 **and 2023** . Refer to the risk factors titled The levels of or changes in interest rates could affect our results of operations and financial condition and Significant fluctuations in the valuation of investment securities or market prices could negatively affect our financial results. We use estimates and assumptions in determining the value or amount of many of our assets and liabilities. If our estimates or assumptions prove to be incorrect, our cash flow, profitability, financial condition, and prospects could be adversely affected. We use estimates and assumptions in determining the fair value of many of our assets, including retained interests from securitizations, loans held for sale, and other investments that do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of our operating lease assets. In addition, we use estimates and assumptions in determining our allowance for loan losses, reserves for legal matters, insurance losses, and loss adjustment expenses (which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements). Refer to the section titled Critical Accounting Estimates in the MD & A that follows. Our assumptions and estimates may be inaccurate for many reasons. For example, they often involve matters that are inherently difficult to predict and that are beyond our control (such as macroeconomic conditions and their impact on automotive dealers and retailers, and consumers) and often involve complex interactions between a number of dependent and independent variables, factors, and other assumptions. Assumptions and estimates are also far more difficult during periods when markets are dislocated or illiquid and when comparable historical data is lacking, such as during the COVID- 19 pandemic and the subsequent recovery. As a result, our actual experience may differ substantially from these estimates and assumptions. A meaningful difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and prospects and may increase the volatility of our financial results. In addition, several different judgments associated with assumptions or estimates could be reasonable under the circumstances and yet result in significantly different results being reported. Market prices for investment securities, nonmarketable equity investments, and other financial assets are subject to considerable fluctuation. Fluctuations may result, for example, from perceived changes in the value of the asset, the relative price of alternative investments, the usual volume of trading in the asset, shifts in investor sentiment, geopolitical events, actual or expected changes in monetary or fiscal policies, and general market conditions, such as inflation. Due to these kinds of fluctuations, the amount that we realize in the subsequent sale of an investment may significantly differ from the last reported value and could negatively affect our financial results. For example, because nonmarketable equity investments are not readily salable in capital markets, their values are particularly susceptible to extreme volatility. **For example, in 2022 we recorded a net loss on nonmarketable equity investments of $ 132 million primarily related to downward adjustments, driven by an impairment in our investment in the parent of BMC (BMC Holdco).** Additionally, negative fluctuations in the value of available- for- sale investment securities could result in unrealized losses recorded in equity. For example, in 2022 we recorded $ 4. 0 billion of net unrealized losses on our available- for- sale securities within accumulated other comprehensive loss. **During 2023, we transferred securities from available- for- sale to held- to- maturity, which reduced our exposure to fluctuations in accumulated other comprehensive loss. As of December 31, 2023, the unrealized losses on our available- for- sale and held- to- maturity investment securities within other comprehensive loss was $ 3. 1 billion and $ 682 million, respectively. Refer to Note 8 to the Consolidated Financial Statements for additional information on the transfer of available- for- sale securities to held- to- maturity.** Refer to the risk factor above, titled The levels of or changes in interest rates could affect our results of operations and financial condition for more information on risks associated with increases in interest rates. Changes in accounting standards could adversely affect our reported revenues, expenses, profitability, and financial condition. Our financial statements are subject to the application of U. S. GAAP, which are periodically revised or expanded. The application of U. S. GAAP is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the FASB, the SEC, banking agencies, and our independent registered public accounting firm. Those changes are beyond our control but could adversely affect our revenues, expenses, profitability, or financial condition. For example, the adoption of CECL effective January 1, 2020, resulted in a significant increase to our allowance for loan losses in 2020. Refer to Note 1 to the Consolidated Financial Statements for financial accounting standards issued by the FASB, but not yet adopted by the Company. The financial system is highly interrelated, and the failure of even a single financial institution or other participant in the financial system could adversely affect us. The financial system is highly interrelated, including as a result of lending, trading, clearing, counterparty, and other relationships. We have exposure to and routinely execute transactions with a wide variety of financial institutions, including brokers, dealers, commercial banks, and investment banks. The financial system includes other substantial participants as well, including exchanges, central counterparties, government- sponsored enterprises, insurance companies, private- equity funds, hedge funds, family offices, mutual funds, and money- market funds. If any of these institutions or participants were to become or perceived to be unstable, were to fail in meeting its obligations in full and on time, or were to enter bankruptcy, conservatorship, or receivership, the consequences could ripple throughout the financial system and may adversely affect our business, results of operations, financial condition, or prospects **. For example, on November 16, 2023, the FDIC finalized a rule that imposes a special assessment to recover the costs to the DIF resulting from the FDIC' s use, in March 2023, of the systemic risk exception to the least- cost resolution test under the FDI Act in connection with the receiverships of SVB and Signature** . Because of interrelationships within the financial system, this could occur even if the institution or participant itself were not systemically important or perceived to play a meaningful role in the stable functioning of the financial markets. Adverse economic conditions or changes in laws in the states where we have loan or operating lease concentrations may negatively affect our business and financial results. We are exposed to portfolio concentrations in some states, including California, Texas, and Florida. Factors adversely affecting the economies and applicable laws in these states, including public policies that have the effect of drawing financial- services companies into contentious political or social issues, could have an adverse effect on our business, results of operations, and financial condition. Negative publicity outside of our control, or our failure to successfully manage issues arising from our conduct or in connection with the financial services industry generally, could damage our reputation and adversely affect our business or financial results. The performance and value of our business could be negatively impacted by any reputational harm that we may suffer, especially as an intermediary within the financial system. This harm could arise from negative publicity outside of our control or our failure to adequately address issues arising from our conduct or in connection with the financial services industry generally. Risks to our reputation could arise in any number of contexts — for example, stricter regulatory or supervisory environments, cyber incidents and other security breaches, inabilities to meet customer expectations, political controversies and social trends involving financial- services, mergers and acquisitions, lending or banking practices, actual or perceived conflicts of interest, failures to prevent money laundering, inappropriate conduct by employees, inadequate corporate governance, and any similar issues affecting our service providers. Our failure to maintain appropriate ESG practices, oversight, and disclosures could result in reputational harm, a loss of customer and investor confidence, and adverse business and financial results. Governments, investors, customers, and the general public are increasingly focused on ESG practices, oversight, and disclosures. For us and others in the financial- services industry, this focus extends to the practices and disclosures of the customers, counterparties, and service providers with whom we choose to do business. For example, while we have a smaller carbon footprint as a digital financial services company ~~and do not have commercial- lending relationships with a host of sensitive industries (such as those whose products are or are perceived to be harmful to the environment or the public health)~~ , the majority of our business and operations are connected to the automotive industry. Views about ESG are diverse, dynamic, and rapidly changing, with a number of competing constituencies. If our ESG practices, oversight, and disclosures were ~~considered~~ **perceived** to be inadequate or inappropriate by governmental officials, supervisory authorities, investors, customers, or other constituencies with the ability to affect our business and financial results, we could suffer reputational damage, a loss of customer and investor confidence, and adverse effects on our results of operations and prospects. Climate change could adversely affect our business, operations, and reputation. ~~A prominent aspect of ESG is climate~~ **Climate** change and the management of climate and related environmental risks **is inherently complex** . The **dynamic nature of** climate **-related** and ~~the environment~~ **environmental issues** , ~~however, are extraordinarily complex and impossible to reliably model, and~~ as ~~a result~~ **well as related science** , **standards, technology and methodologies, create challenges in evaluating and measuring potential impacts of climate-** related physical and transition risks ~~and~~ **, particularly** ~~the~~ **those that occur over long time horizons** ~~scope and severity of their consequences are pervaded by uncertainty~~ . Climate change and the transition to a less carbon- dependent economy may adversely affect our business, results of operations, financial condition, or prospects due to our concentration in automotive finance and insurance or for entirely different reasons that we cannot yet foresee **. For example, we could experience a decline in the demand for and value of used gasoline- powered vehicles that secure our loans to dealers, retailers, and consumers or that we remarket** . These physical and transition risks also may have a negative impact on the business, operations, or financial condition of customers, counterparties, and service providers on whom we rely. In addition, climate change may impact the broader economy, including through changes to the production, allocation, and use of energy and disruptions to supply chains. If our strategic or tactical responses to these physical and transition risks are or are perceived to be ineffective or insufficient, we could be subject to enforcement and other supervisory actions, reputational damage, a loss of customer or investor confidence, difficulty retaining or attracting talented employees, or other harm. Refer to the risk factor above, titled Our business and financial results may be negatively affected by governmental responses to climate change and related environmental issues for more information on risks associated with governmental responses to climate change. **If our actual or perceived action or inaction in response to these physical and transition risks are, or are perceived to be, ineffective or insufficient, or if we participate in, or decide not to participate in, certain industries or activities perceived to be associated with causing or exacerbating climate change, we could be subject to enforcement and other supervisory or government actions, reputational damage, a loss of customer or investor confidence, difficulty retaining or attracting talented employees, or other harm.** Risks Related to Our Operations We face a wide array of security risks that could result in business, reputational, financial, regulatory, and other harm to us. Our operating systems and infrastructure, as well as those of our service providers or others on whom we rely, are subject to security risks that are rapidly evolving and increasing in scope, complexity, and frequency. This is due, in part, to the introduction of new technologies, the continued expansion of the use of internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions, and the increased sophistication and activities of hostile state- sponsored actors, organized crime, perpetrators of fraud, hackers, terrorists, and others. We, along with other financial institutions, our service providers, and others on whom we rely, have been and are expected to continue to be the target of cyberattacks, which could include computer viruses, malware, malicious or destructive code, social engineering (including phishing or spear phishing attacks), denial- of- service or denial- of- information attacks, ransomware, identity theft, access violations by employees or vendors, attacks on the personal email of employees, and ransom demands accompanied by threats to expose security vulnerabilities. Risks relating to cyberattacks on our service providers and other third parties, including supply- chain attacks affecting our software and information- technology providers, have been rising as such attacks become increasingly frequent and severe. The development of new technologies, as well as the utilization of decentralized technology infrastructures (such as our increased utilization of cloud computing) and software- defined networks, could expose us to additional cybersecurity risks **. Further, the use of artificial intelligence by cybercriminals may increase the frequency and severity of cybersecurity attacks against us or our service providers and others on whom we rely** . We, our service providers, and others on whom we rely are also exposed to more traditional security threats to physical facilities and personnel. These security risks could result in business, reputational, financial, regulatory, and other harm to us, which could be particularly pronounced due to our being a digital financial- services company with a meaningful dependence on service providers. For example, if sensitive, confidential, or proprietary data or other information about us or our customers, employees, or third parties were improperly disclosed, accessed, or destroyed because of a security breach, we could experience severe business or operational disruptions, reputational damage, contractual claims, supervisory actions, or litigation by private plaintiffs. As a digital financial- services company and a direct bank with no branch network, we may face heightened pressure to resolve security breaches more expeditiously to prevent or mitigate a loss of depositor or customer confidence, and if we were to fail to do so, our viability as a going concern could be threatened. As threats inevitably evolve, we expect to continue experiencing increased scrutiny of our security frameworks and protocols by supervisory authorities and others and to continue expending significant resources to enhance our defenses, to educate our employees, to monitor and support the defenses established by our service providers and others on whom we rely, and to investigate and remediate incidents and vulnerabilities as they arise or are identified. Even so, we may not be able to anticipate or implement effective preventive measures against all security breaches, especially because techniques change frequently, attacks can be launched with no warning from a wide variety of sources around the globe, and attackers often need few resources to extensively probe and exploit vulnerabilities over lengthy periods of time. A sophisticated breach, moreover, may not be identified until well after the attack has occurred and the damage has been caused. We also could be adversely affected by security risks faced by others. For example, a cyberattack or other security breach affecting a service provider or another entity on whom we rely could negatively impact us and our ability to conduct business and operations just as much as a breach affecting us directly. Further, in such a circumstance, we may not receive timely notice of or sufficient information about the breach or be able to exert any meaningful control or influence over how and when the breach is addressed. In addition, a security threat affecting the business community, the markets, or parts of them may cycle or cascade through the financial system and harm us. The mere perception of a security breach involving us or any part of the financial services industry, whether or not true, also could damage our business, operations, or reputation. Many if not all of these risks and uncertainties are some of our most significant and yet beyond our control. Refer to the section titled Risk Management in the MD & A that follows. Our operating systems or infrastructure, as well as those of our service providers or others on whom we rely, could fail or be interrupted, which could disrupt our business and adversely affect our results of operations, financial condition, and prospects. We rely heavily upon communications, data management, and other operating systems and infrastructure — including cloud-based services — to conduct our business and operations, which creates meaningful operational risk for us. For example, during 2021, there were a number of widely publicized cases of outages in connection with access to cloud service providers. Any failure of or interruption in these systems or infrastructure or those of our service providers or others on whom we rely — including as a result of inadequate or failed technology or processes, unplanned or unsuccessful updates to technology, sudden increases in transaction volume, human errors, fraud or other misconduct, deficiencies in the integration of acquisitions or the commencement of new businesses, energy or similar infrastructure outages, disruptions in communications networks or systems, natural disasters, catastrophic events, pandemics, acts of terrorism, political or social unrest, external or internal security breaches, acts of vandalism, cyberattacks such as computer viruses and malware, misplaced or lost data, or breakdowns in business continuity plans — could cause failures or delays in receiving applications for loans and operating leases, underwriting or processing loan or operating- lease applications, servicing loans and operating leases, accessing online accounts, processing transactions, executing brokerage orders, communicating with our customers, managing our investment portfolio, or otherwise conducting our business and operations. These adverse effects could be exacerbated if systems or infrastructure need to be taken offline or meaningfully repaired, if backup systems or infrastructure are not adequately redundant and effective for the conduct of our business and operations, or if technological or other solutions do not exist or are slow to be developed. Further, to the extent that the systems or infrastructure of service providers or others are involved, we may have little or no knowledge, control, or influence over how and when failures or delays are addressed. As a digital financial- services company with a meaningful dependence on service providers, we are susceptible to business, reputational, financial, regulatory, and other harm as a result of these risks. In the ordinary course of our business, we collect, store, process, and transmit sensitive, confidential, or proprietary data and other information, including business information, intellectual property, and the personally identifiable information of customers and employees. The secure collection, storage, processing, and transmission of this information are critical to our business and reputation, and if any of this information were mishandled, misused, improperly accessed, altered, lost, or stolen or if related operations were disabled or otherwise disrupted, we could suffer significant business, reputational, financial, regulatory, and other damage. Even when a failure of or interruption in operating systems or infrastructure is timely resolved, we may need to expend substantial resources in doing so, may be required to take actions that could adversely affect customer satisfaction or behavior, and may be exposed to reputational damage. We also could be exposed to contractual claims, supervisory actions, or litigation by private plaintiffs. We are heavily reliant on technology, and a failure in effectively implementing technology initiatives, anticipating future technology needs or demands, or maintaining rights or interests in associated intellectual property could adversely affect our business or financial results. As a digital financial-services company and a direct bank with no branch network, we significantly depend on technology to deliver our products and services and to otherwise conduct our business and operations. To remain technologically competitive and operationally efficient, we invest in system upgrades, new solutions, cloud- based services, and other technology initiatives. Many of these initiatives take a significant amount of time to develop and implement, are tied to critical systems, and require substantial financial, human, and other resources **, and our utilization of artificial intelligence technologies could result in content or analyses that are inaccurate or deficient** . Although we take steps to mitigate the risks and uncertainties associated with these initiatives, they are not always implemented on time, within budget, or without negative financial, operational, or customer impact and do not always perform as we or our customers expect, and no assurance can be provided that initiatives in the future will be or will do so. We also may not succeed in anticipating or keeping pace with future technology needs, the technology demands of customers, or the competitive landscape for technology. If we were to misstep in any of these areas, our business, financial results, or reputation could be negatively impacted. Our use of systems and other technologies also depends on rights or interests in the underlying intellectual property, which we or our service providers may own or license. If we or a service provider were alleged or found to be infringing on the intellectual- property rights of another person or entity, we could be liable for significant damages for past infringement, substantial fees for continued use, and deprivation of access for limited or extended periods of time without the practical availability of an alternative. Our enterprise risk- management framework or independent risk- management function may not be effective in mitigating risk and loss. We maintain an enterprise risk-management framework that is designed to identify, measure, assess, monitor, test, control, report, escalate, and mitigate the risks that we face. These include credit, insurance / underwriting, market, liquidity, business / strategic, reputation, operational, information- technology / cyber- security, compliance, and conduct risks. The framework incorporates risk culture and incentives, risk governance and organization, strategy and risk appetite, a material- risk taxonomy, key risk- management processes, and risk capabilities. Our chief risk officer, chief compliance officer, and other personnel who make up our independent risk- management function are responsible for overseeing and implementing the framework. Refer to the section titled Risk Management in the MD & A that follows. We continuously improve the risk- management framework in response to internal reviews and assessments, evolving industry practices, and changes in business and regulatory expectations. Even with these improvements, however, the framework cannot guarantee that we will effectively mitigate risk and limit losses in our business and operations. If conditions or circumstances arise that expose flaws or gaps in the framework or its design or implementation, the performance and value of our business and operations could be adversely affected. An ineffective risk-management framework or function also could give rise to enforcement and other supervisory actions, damage our reputation, and result in private litigation. Our business and operations make extensive use of models, and we could be adversely affected if our design, implementation, or use of models is flawed. We use quantitative models to price products and services, measure risk, calculate the quantitative portion of our allowance for loan losses, estimate asset and liability values, assess capital and liquidity, manage our balance sheet, create financial forecasts, and otherwise conduct our business and operations. If the design, implementation, or use of any of these models is flawed, we could make strategic or tactical decisions based on incorrect, misleading, or incomplete information. In addition, to the extent that any flawed models or inaccurate model outputs are used in reports to banking agencies or the public, we could be subjected to supervisory actions, private litigation, and other proceedings that may adversely affect our business and financial results. Refer to the section titled Risk Management in the MD & A that follows. Risks Related to Ownership of Our Common Stock Our ability to pay dividends on our common stock or repurchase shares in the future may be limited. Any future dividends on our common stock or ~~changes in our~~ **establishment of a** stock-repurchase program will be determined by our Board in its sole discretion and will depend on our business, financial condition, earnings, capital, liquidity, and other factors at the time. In addition, any plans to continue dividends or ~~share~~ **establish a stock-** ~~repurchases~~ **repurchase program** in the future will be subject to our stress capital buffer requirement and the FRB' s review of our annual capital plan, which are unpredictable. There is no assurance that our Board will approve, or the FRB will permit, future dividends or share repurchases ~~. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report~~ . It is possible that any indentures or other financing arrangements that we execute in the future could limit our ability to pay dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing arrangements in the future restrict that ability, we may be unable to pay dividends unless and until we can refinance the amounts outstanding under those arrangements. In addition, under Delaware law, our Board may declare dividends on our capital stock only to the extent of our statutory surplus (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital) or, if no surplus exists, out of our net profits for the then- current or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay dividends on our common stock, we may not have sufficient cash or regulatory approvals to do so **. For example, if any share of Series B Preferred Stock or Series C Preferred Stock remains outstanding, unless the dividends for the most recently completed dividend period have been paid in full, or set aside for payment, we will be prohibited, subject to certain specified exceptions, from paying any dividends on or repurchasing our common stock** . The market price of our common stock could be adversely impacted by anti- takeover provisions in our organizational documents and Delaware law that could delay or prevent a takeover attempt or change in control of Ally or by other banking, antitrust, or corporate laws that have or are perceived as having an anti- takeover effect. Our certificate of incorporation, our bylaws, and Delaware law contain provisions that could have the effect of discouraging, hindering, or preventing an acquisition that the Board does not find to be in the best interests of us and our stockholders. For example, our organizational documents include provisions that limit the liability of our directors, provide indemnification to our directors and officers, and limit the ability of our stockholders to call and bring business before special meetings of stockholders by requiring any requesting stockholders to hold at least 25 % of our common stock in the aggregate. These provisions, alone or together, could delay hostile takeovers and changes in control of Ally or changes in management. In addition, we are subject to Section 203 of the General Corporation Law of the State of Delaware, which generally prohibits a corporation from engaging in various business combination transactions with any interested stockholder (generally defined as a stockholder who owns 15 % or more of a corporation' s voting stock) for a period of three years following the time that the stockholder became an interested stockholder, except under specified circumstances such as the receipt of prior board approval. Banking and antitrust laws, including associated regulatory- approval requirements, also impose significant restrictions on the acquisition of direct or indirect control over any BHC **,** like Ally **,** or any insured depository institution **,** like Ally Bank ~~. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report~~ . Any provision of our organizational documents or applicable law that deters, hinders, or prevents a non- negotiated takeover or change in control of Ally could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.