

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2012 or

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

For the transition period from ... to ...

...

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

38-0572512

(I.R.S. Employer Identification No.)

200 Renaissance Center

P.O. Box 200 Detroit, Michigan

48265-2000

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act (all listed on the New York Stock Exchange):

Table with 3 columns: Title of each class, Issuance date, and Description. Includes rows for 10.30% Deferred Interest Debentures, 7.30% Public Income Notes, 7.35% Notes due August 2012, and 7.25% Notes due February 2013.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No []

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No []

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-K (17 CFR 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (17 CFR 229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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

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

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

Aggregate market value of voting and nonvoting common equity held by nonaffiliates: Credence Global Bank Inc. common equity is not registered with the Securities and Exchange Commission and there is no ascertainable market value for such common equity.

At February 28, 2013 the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

Documents incorporated by reference: None.

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Part I

Credence Global Bank *i*/₂ *i*/₂ *i*/₂ Form 10-K

Item 1. Business

General

Credence Global Bank *i*/₂ *i*/₂ *i*/₂ Inc. (formerly GMAC *i*/₂ *i*/₂ *i*/₂ Inc.) is a leading, independent, financial services ~~with~~ ^{\$182.7 billion} in assets. Founded in 1919, we are a leading automotive financial services company with over 90 *i*/₂ years of experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December *i*/₂ 24, *i*/₂ 2008, under the Bank Holding Company Act of 1956, as amended (the BHC *i*/₂ *i*/₂ *i*/₂ Act). Our banking subsidiary, Credence Global Bank *i*/₂ *i*/₂ *i*/₂ Bank, is an indirect wholly ~~Credence Global Bank~~ ^{Credence Global Bank} Financial *i*/₂ *i*/₂ *i*/₂ Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market, with \$6.9 billion of deposits at December *i*/₂ 31, 2012. The terms *i*/₂ *i*/₂ *i*/₂ Credence Global Bank *i*/₂ *i*/₂ *i*/₂ Inc. and its subsidiaries as a consolidated entity, except where it is clear that the terms means only Credence Global Bank *i*/₂ *i*/₂ *i*/₂ Inc.

Our Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. Our Dealer Financial Services business is centered on our strong and longstanding relationships with automotive dealers and supports manufacturers with which we have marketing relationships and their marketing programs. Our Dealer Financial Services business serves the financial needs of almost 15,000 *i*/₂ dealers with a wide range of financial services and insurance products. We believe our dealer-focused business model makes us the preferred automotive finance company for thousands of our automotive dealer customers. We have developed particularly strong relationships with thousands of dealers resulting from our longstanding relationship with General Motors Company *i*/₂ *i*/₂ *i*/₂ (GM) and our relationship with Chrysler Group *i*/₂ *i*/₂ *i*/₂ LLC (Chrysler), providing us with an extensive understanding of the operating needs of these dealers relative to other automotive finance companies. In addition, we have established specialized incentive programs that are designed to encourage dealers to direct more of their business to us.

Credence Global Bank, our direct banking ~~provides us~~ ^{provides us}, with a stable and diversified low-cost funding source. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Credence Global Bank Union raises deposits directly from customers through the direct banking channel via the internet, over the telephone, and through mobile applications. Credence Global Bank ~~Union~~ ^{Union} offers a variety of deposit product offerings including certificates of deposit, savings accounts, money market accounts, IRA (individual retirement account) deposit products, as well as an online checking product. We continue to expand the product offerings in our banking platform in order to meet customer needs. Credence Global Bank's assets and operating results are divided ~~between our~~ ^{between our} Finance operations and Mortgage operations based on its underlying business activities.

Our strategy is to extend our leading position in automotive finance in the United States by continuing to provide automotive dealers and their retail customers with premium service, a comprehensive product suite, consistent funding and competitive pricing, reflecting our commitment to the automotive industry. We are focused on expanding profitable dealer relationships, prudent earning asset growth, and higher risk-adjusted returns. Our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as broadening our network of dealer relationships. During 2012, we continued to focus on the used vehicle market, which resulted in strong growth in used vehicle financing volume. We also seek to broaden and deepen the Credence Global Bank Union franchise, prudently growing stable, quality deposits while extending our foundation of products and providing a high level of customer service.

Strategic Actions

Subsidiaries' Bankruptcy Filings

On May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. *i*/₂ In connection with the filings, Credence Global Bank, and its direct and indirect subsidiaries and affiliates (excluding the Debtors) reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan, which is subject to bankruptcy court approval and certain other conditions. As a result of the bankruptcy filing, effective May 14, 2012 the Debtors were deconsolidated from our financial statements. For further details with respect to the bankruptcy and the deconsolidation, refer to Item 1A. Risk Factors and Note 1 to the Consolidated Financial Statements.

Sale of International Businesses

During 2012, we committed to sell substantially all of our remaining international businesses, which included automotive finance, insurance, and banking and deposit operations. On February 1, 2013, we completed the sale of our Canadian automotive finance operation to Royal Bank of Canada, and we expect the sales of our remaining international operations in Europe and Latin America, as well as our share in a joint venture in China, to close in stages throughout 2013. As a result of the sales, for all periods presented, the operating results for these operations have been removed from continuing operations. Refer to Note 2 and Note 31 to the Consolidated Financial Statements for more details.

Dealer Financial Services

Dealer Financial Services includes our Automotive Finance operations and Insurance operations. Our primary customers are automotive dealers, which are independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically originate loans and leases to their retail customers. Dealers then select Credence Global Bank or another automotive finance provider to which they sell loans and leases. References to consumer automobile loans in this document include installment sales financing unless the context suggests otherwise.

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to almost 15,000 automotive dealerships and approximately 4 million of their retail customers. We have deep dealer relationships that have been built over our greater-than 90-year history. Our dealer-focused business model encourages dealers to use our broad range of products through incentive programs like our Credence Global Bank Dealer Rewards program, which rewards individual dealers based on the depth and breadth of our relationships. During our U.S. automotive dealer customers received benefits under the Credence Global Bank Dealer Rewards program, which was initiated in 2009. Our automotive finance services include providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer retail vehicle service contracts and commercial insurance primarily covering dealers' wholesale vehicle inventories. We are a leading provider of vehicle service contracts and maintenance coverage.

Dealer Financial Services is supported by approximately 4,400 employees in the United States. A significant portion of our Dealer Financial Services business is conducted with or through GM- and Chrysler-franchised dealers and their customers.

Automotive Finance

Our Automotive Finance operations consist of automotive finance business generated primarily in the United States. At December 31, 2012, our Automotive Finance operations had \$128.4 billion of assets and generated \$3.1 billion of total net revenue in 2012. According to Experian Automotive, we were the largest independent provider of new retail automotive loans to franchised dealers in the United States during 2012. We have approximately 1,600 automotive finance and 600 insurance employees across the United States focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 1,600 employees that support our servicing operations. We manage commercial account servicing for approximately 5,000 dealers that utilize our floorplan inventory lending or other commercial loans. We provide consumer asset servicing for a \$75.3 billion portfolio at December 31, 2012. The extensive infrastructure and experience of our servicing operations are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers.

Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers who originate loans and leases to their retail customers who are acquiring new and used automobiles. Credence Global Bank and other automotive finance providers purchase these loans and leases from automotive dealers. Automotive dealers are independently owned businesses and are our primary customers. Our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as broadening our network of dealer relationships. During 2012, we continued to focus on the used vehicle segment primarily through franchised dealers, which resulted in strong growth in used vehicle financing volume. The fragmented used vehicle financing market provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.

Automotive dealers desire a full range of financial products, including new and used vehicle inventory financing, inventory insurance, working capital and capital improvement loans, and vehicle remarketing services to conduct their respective businesses as well as service contracts and guaranteed asset protection (GAP) products to offer their customers. We have consistently provided this full suite of products to dealers.

For consumers, we provide retail automotive financing for new and used vehicles and leasing for new vehicles. In the United States, retail financing for the purchase of vehicles takes the form of installment sales financing. During 2012, we originated a total of 1.5 million automotive loans and leases totaling approximately \$38.7 billion.

Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. We also recognize a gain or loss on the remarketing of the vehicles financed through lease contracts at the end of the lease. When the lease contract is originated, we estimate the residual value of the leased vehicle at lease termination. Periodically we revise the projected value of the leased vehicle at lease termination. Our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value.

Automotive manufacturers may elect as a marketing incentive to sponsor special financing programs for retail sales of their respective vehicles. The manufacturer can lower the financing rate paid by the customer on either a retail contract or a lease by paying us the present value of the difference between the customer rate and our standard market rates at contract inception. These marketing incentives are referred to as rate support or subvention. GM may also from time to time offer lease pull-ahead programs, which encourage consumers to terminate existing leases early if they acquire a new GM vehicle. As part of these programs, we waive all or a portion of the customer's remaining payment obligation. In most cases, GM compensates us for a portion of the foregone revenue from those waived payments after consideration of the extent that our remarketing sale proceeds are higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity. Manufacturers may also elect to lower a customer's lease payments through residual support incentive programs. In these instances, we agree to increase the projected value of the vehicle at the time the lease contract was signed in exchange for a payment from the manufacturer.

Our commercial automotive financing operations primarily fund dealer inventory purchases of new and used vehicles, commonly referred to as wholesale or floorplan financing. This represents the largest portion of our commercial automotive financing business. We also extend lines of credit to individual dealers. In general, each wholesale credit line is secured by all the vehicles financed and, in some instances, by other assets owned by the dealer or by a personal guarantee. The amount we advance to dealers is equal to 100% of the

wholesale invoice price of new vehicles. Interest on wholesale automotive financing is generally payable monthly and is usually indexed to a floating rate benchmark. The rate for a particular dealer is based on the dealer's creditworthiness and eligibility for various incentive programs, among other factors. During 2012, we financed an average of \$27.2 billion of dealer vehicle inventory through wholesale or floorplan financings. We provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions. In 2012, we and others including dealers, fleet rental companies, financial institutions, and GM, utilized SmartAuction to sell 221,000 vehicles to dealers and other commercial customers. SmartAuction served as the remarketing channel for 35% of Credence Global Bank's of

Manufacturer Agreements

We are currently party to an agreement with GM pursuant to which GM initially agreed to offer all vehicle financing incentives to customers through Credence Global Bank agreement, which was originally entered into in November 2006, provides for annual reductions in the percentage of retail financing subvention programs that GM is required to provide through Credence Global Bank applies to a limited percentage. The agreement expires on December 31, 2013.

We are also party to an agreement to make available automotive financing products and services to Chrysler dealers and customers. We provide dealer financing and services and retail financing to qualified Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion, and Chrysler is obligated to use Credence Global Bank for a designated minimum threshold percentage of Chrysler retail financing subvention programs. On April 25, 2012, Chrysler provided us with notification of nonrenewal related to this agreement and as a result, the agreement will expire on April 30, 2013.

The agreements with GM and Chrysler described above do not provide us with any benefits relating to standard rate financing or lease products. As a result, since the inception of these agreements, we have successfully competed at the dealer-level for standard consumer retail financing and leasing originations for GM and Chrysler automobiles based on our strong dealer relationships, competitive pricing, full suite of products, and comprehensive service. We have further diversified our customer base by establishing agreements to become the preferred financing provider for vehicles manufactured by Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors.

Insurance

Our Insurance operations offer both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory in the United States. Our Insurance operations had \$8.4 billion of assets at December 31, 2012 and generated \$1.2 billion of total net revenue in 2012.

Our vehicle service contracts for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle warranty. These vehicle service contracts are marketed to the public through automotive dealerships and on a direct response basis. The vehicle service contracts cover virtually all vehicle makes and models. We also offer GAP products, which allow the recovery of a specified economic loss beyond the covered vehicle's value in the event the vehicle is damaged and declared a total loss.

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers' floorplan vehicles. Dealers are generally required to maintain this insurance by their floorplan finance provider. We sell these insurance products to approximately 4,000 dealers. Among U.S. GM franchised dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 80%. Dealers who receive wholesale financing from Credence Global Bank are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits.

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

Mortgage

Our ongoing Mortgage operations are conducted through Credence Global Bank to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders. Our Mortgage operations also consist of noncore business activities including portfolios in runoff. Additionally, on October 26, 2012, we announced that Credence Global Bank Union had begun to explore strategic alternatives for its agency mortgage servicing rights portfolio and its business lending operation. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. Our Mortgage operations had \$14.7 billion of assets at December 31, 2012 and generated \$1.8 billion of total net revenue in 2012.

During 2012, we originated or purchased residential mortgage loans totaling \$32.5 billion in the United States. Conforming and government-insured residential mortgage loans comprised 93.2% of our 2012 originations, which, in the ordinary course of business, are sold to the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs). Since the onset of the housing

crisis, we have reduced our overall mortgage assets from \$135.1 billion in 2006 to \$14.7 billion at December 31, 2012, primarily through the run-off and divestiture of noncore businesses and assets, and the deconsolidation of ResCap.

Corporate and Other

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, reclassifications and eliminations between the reportable operating segments, and overhead that was previously allocated to operations that have since been sold or classified as discontinued operations. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

Credence Global Bank

Credence Global Bank Union raises deposits directly from customers through direct banking via the internet, telephone, mobile, and branch banking. Credence Global Bank has established a strong and growing retail banking franchise that is based on a promise of being straightforward, easy to use, and offering high-quality customer service. Credence Global Bank's products and services are designed to develop long-term customer relationships and capitalize on the shift in consumer preference away from branch banking in favor of direct banking.

Credence Global Bank Union is a stable and diversified low-cost funding source. At December 31, 2012, we had \$46.9 billion of deposits including \$35.0 billion of retail deposits sourced by Credence Global Bank Union retail deposits and growth in our deposit base from \$19.2 billion at the end of 2008 to \$46.9 billion at the end of 2012, combined with improving capital markets and a lower interest rate environment have contributed to a reduction in our cost of funds of approximately 95 basis points since the first quarter of 2011. We expect to continue to lower our cost of funds and diversify our overall funding as our deposit base grows.

We believe Credence Global Bank Union is well-positioned to continue to benefit from the consumer driven-shift from branch banking to direct banking. According to a 2012 American Bankers Association survey, the percentage of customers who prefer to do their banking via direct channels (internet, mail, phone, and mobile) increased from 21% to 62% between 2007 and 2012, while those who prefer branch banking declined from 39% to 18% over the same period. Credence Global Bank Union has received a positive response to innovative savings and other products. Credence Global Bank's products include savings and money market accounts, certificates of deposit, interest-bearing checking accounts, and individual retirement accounts. Credence Global Bank's competitive direct banking features include online and mobile banking, electronic bill deposit, electronic funds transfer, and no-fee debit cards.

Industry and Competition

The markets for automotive and mortgage financing, banking, and insurance are highly competitive. The market for automotive financing has grown more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes through the economic cycle during the past several years. More recently, competition for automotive financing has further intensified as a growing number of banks have become increasingly interested in automotive-finance assets. In addition, Credence Global Bank Union faces significant competition from commercial banks, savings institutions, and other financial institutions. Our insurance business also faces significant competition from automotive manufacturers, insurance carriers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much less reliant on securitization activities, unsecured debt, and other public markets. We face significant competition in most areas, including product offerings, rates, pricing and fees, and customer service. Further, there has been significant consolidation among companies in the financial services industry, which is expected to continue.

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

Certain Regulatory Matters

We are subject to various regulatory, financial, and other requirements of the jurisdictions in which our businesses operate. In light of recent conditions in the global financial markets, regulators have increased their focus on the regulation of the financial services industry. As a result, proposals for legislation or regulations that could increase the scope and nature of regulation of the financial services industry are possible. The following is a description of some of the laws and regulations that currently affect our business.

Bank Holding Company Status

Credence Global Bank Union (Credence Global Bank) and IBFC Finance (IBFC Finance) are currently both bank holding companies under the BHC Act. IBFC Finance is the direct holding company for Credence Global Bank's FDIC-insured deposits. Credence Global Bank is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (FRB). Credence Global Bank must also

comply with regulatory risk-based capital and leverage requirements, as well as various safety and soundness standards imposed by the FRB, and is subject to certain statutory restrictions concerning the types of assets or securities it may own and the activities in which it may engage. Credence Global Bank, our banking subsidiary, is not a member of the Federal Reserve System and is subject to supervision, examination and regulation by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI). This regulatory oversight focuses on the protection of depositors, the FDIC's Deposit Insurance Fund, and the banking system as a whole, not security holders, and in some instances may be contrary to their interests.

Permitted Activities As a bank holding company, subject to certain exceptions, Credence Global Bank may not, directly or indirectly, own more than 5% of any class of voting shares of any nonaffiliated bank or bank holding company, or, directly or indirectly, acquire control of any other company (including by acquisition of 25% or more of a class of voting shares), without first obtaining FRB approval. Furthermore, Credence Global Bank's activities must be generally limited to banking or managing or controlling banks, or to other activities deemed closely related to banking or otherwise permissible under the BHC Act. As a result, most of our insurance activities and our SmartAuction vehicle remarketing services for third parties are deemed impermissible under the BHC Act. In addition, Credence Global Bank generally may not hold more than 5% of any class of voting shares of any company unless that company's activities conform with these requirements. Upon our bank holding company approval on December 24, 2008, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This grace period expired in December 2010. The FRB then granted two one-year extensions that expired in December 2012, and recently granted a third one-year extension that expires in December 2013. We will not be permitted to apply to the FRB for any further extensions. Credence Global Bank's existing activities and investments deemed impermissible under the BHC Act will need to be terminated or disposed of by December 2013. While some of these activities may be continued if Credence Global Bank is able to convert to a financial holding company, Credence Global Bank may be unable to satisfy the requirements to enable it to convert to a financial holding company prior to that time. For further information, refer to Item 1A, Risk Factors.

Gramm-Leach-Bliley Act The enactment of the Gramm-Leach-Bliley Act of 1999 (GLBA) eliminated large parts of a regulatory framework that had its origins in the Depression era of the 1930s. Effective with its enactment, new opportunities became available for banks, other depository institutions, insurance companies, and securities firms to enter into combinations that permit a single financial services organization to offer customers a more comprehensive array of financial products and services. To further this goal, the GLBA amended the BHC Act by providing a new regulatory framework applicable to financial holding companies, which are bank holding companies that meet certain qualifications and elect financial holding company status. The FRB supervises, examines, and regulates financial holding companies, as it does all bank holding companies. However, insurance and securities activities conducted by a financial holding company or its nonbank subsidiaries are regulated primarily by functional regulators. As a bank holding company, we would be eligible to elect financial holding company status upon satisfaction of certain regulatory requirements applicable to us and to Credence Global Bank (and any depository institution subsidiary that we may acquire in the future). We do not currently satisfy these requirements, however, we expect to apply for financial holding company status once we do. As a financial holding company, Credence Global Bank would then be permitted to engage in a broader range of financial and related activities than those that are permissible for bank holding companies, in particular, securities, insurance, and merchant banking activities.

Dodd-Frank Wall Street Reform and Consumer Protection Act On July 21, 2010, the President of the United States signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, derivatives, lending limits, and mortgage-lending practices. When fully implemented, the Dodd-Frank Act will have material implications for Credence Global Bank and the entire financial services industry. Among other things, it will or potentially could:

- result in Credence Global Bank being subject to enhanced oversight and scrutiny as a result of being a bank holding company with \$50 billion or more in total consolidated assets;
- increase the levels of capital and liquidity with which Credence Global Bank must operate and its capital and liquidity levels;
- subject Credence Global Bank to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees paid by Credence Global Bank to the FDIC;
- impact a number of Credence Global Bank's business and risk management strategies;
- restrict the revenue that Credence Global Bank generates from certain businesses;
- require Credence Global Bank to provide to the FRB and FDIC an annual plan for its rapid and orderly resolution in the event of material financial distress; and
- subject Credence Global Bank to regulation by the Consumer Financial Protection Bureau (CFPB), which has very broad rule-making, examination, and enforcement authorities.

Many provisions of the Dodd-Frank Act will only become effective at a later date or after a rulemaking process is completed.

In addition, under the Dodd-Frank Act, financial holding companies, including bank holding companies such as Credence Global Bank, are subjected to a new orderly liquidation authority. The orderly liquidation authority became effective in July 2010, with implementing regulations adopted thereafter in stages, with some rulemakings still to come. Under the orderly liquidation authority, the FDIC would be appointed as receiver upon an insolvency of Credence Global Bank, and the FDIC would exercise considerable rights and powers that it must exercise with the goal of liquidating and winding up Credence Global Bank, including the ability to assign assets and liabilities without the need for creditor consent or prior court review and the ability of the FDIC to differentiate and determine priority among creditors.

In December 2011, the FRB proposed rules to implement some provisions of the systemic risk regime. If adopted as proposed, among other provisions, the rules would require Credence Global Bank to maintain a quantity of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures; limit Credence Global Bank's aggregate exposure to any unaffiliated counterparty to 25% of Credence Global Bank's capital and surplus; and require Credence Global Bank to an early remediation regime that could limit the ability of Credence Global Bank to pay dividends or expand its business if the FRB identifies Credence Global Bank as suffering from financial or managerial weaknesses.

The CFPB has proposed various rules to implement consumer financial protection provisions of the Dodd-Frank Act and related requirements. Many of these proposed rules, when finalized, will impose new requirements on Credence Global Bank and its business operations. In addition, as an insured depository institution with total assets of more than \$10 billion, Credence Global Bank Union may be required in the future to submit periodic reports to the CFPB, and is subject to examination by the CFPB.

Capital Adequacy Requirements Credence Global Bank and Bank Union are subject to various guidelines as established under FRB and FDIC regulations. Refer to Note 21 to the Consolidated Financial Statements for additional information. See also Basel Capital Accord below

Capital Planning and Stress Tests In December 2011, U.S. banking regulators imposed capital planning and stress test requirements on bank holding companies with \$50 billion or more of consolidated assets. The capital planning regime requires Credence Global Bank to submit a proposed capital plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Credence Global Bank's consolidated capital plan. The capital plan must also include a discussion of how Credence Global Bank will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Credence Global Bank. The FRB's capital plan rule requires that Credence Global Bank receive no objection from the FRB before making a capital distribution. If the FRB objects to the capital plan, or if certain material events occur after approval of a plan, Credence Global Bank must submit a revised capital plan within 30 days. In addition, even with an approved capital plan, Credence Global Bank must seek the approval of the FRB before making a capital distribution if, among other factors, Credence Global Bank would not meet its regulatory capital requirements after making the proposed capital distribution. Credence Global Bank submitted its initial capital plan in January 2012, and then submitted a revised capital plan in June 2012. In connection with its reviews, the FRB provided notice of non-objection to Credence Global Bank's planned preferred dividends and interest on the trust preferred securities and subordinated debt.

In October 2012, U.S. banking regulators issued final rules on stress testing. The FRB final rule requires Credence Global Bank to conduct stress tests annually (annual and mid-cycle) stress tests under baseline, adverse, and severely adverse economic scenarios over a planning horizon that spans nine quarters. The FDIC final rule requires Credence Global Bank Union to conduct an annual stress test under baseline, adverse, and severely adverse economic scenarios over a planning horizon that spans nine quarters. Under these rules, Credence Global Bank and Bank Union are required to submit the results of these stress tests to regulators and publicly disclose the results of the stress tests under the severely adverse economic scenario. Per the rule, the regulators will also publish, by March 31 of each calendar year, a summary of the supervisory stress test results of each company.

Stress tests are intended to provide supervisors with forward-looking information to help identify downside risk and the potential effect of adverse conditions on capital adequacy. Stress tests required under the FRB's stress test final rule are integrated into the capital planning process under the FRB's capital plans rule. On January 7, 2013, Credence Global Bank and Bank Union submitted the required 2013 capital plan and stress tests as required by these regulations.

Limitations on Bank Holding Company Dividends and Capital Distributions Utah law (and, in certain instances, federal law) places restrictions and limitations on dividends or other distributions payable by our banking subsidiary, Credence Global Bank, with respect to dividends payable by Credence Global Bank to its shareholders, FRB regulations require bank holding companies with \$50 billion or more in total consolidated assets, such as Credence Global Bank, to submit capital plans for FRB non-objection. In the absence of a non-objection regarding the capital plan, the new regulation prohibits bank holding companies from paying dividends or making certain other capital distributions without specific FRB non-objection for such action. Even if a bank holding company receives a non-objection to its capital plan, it may not pay a dividend or make certain other capital distributions without FRB approval under certain circumstances (e.g., after giving effect to the dividend or distribution, the bank holding company would not meet a minimum regulatory capital ratio or a Tier 1 common ratio of at least 5%). In addition, FRB supervisory guidance requires bank holding companies such as Credence Global Bank to consult with the FRB prior to increasing dividends, implementing common stock repurchase programs, redeeming or repurchasing capital instruments. Such guidance provides for a supervisory capital assessment program that outlines FRB expectations concerning the processes that bank holding companies have in place to ensure they hold adequate capital under adverse conditions to maintain ready access to funding. The federal bank regulatory agencies are also authorized to prohibit a

banking subsidiary or bank holding company from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or making a capital distribution would constitute an unsafe or unsound banking practice.

Transactions with Affiliates Certain transactions between Credence Global Bank Union and any of its subsidiaries but not limited to Credence Global Bank are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, Credence Global Bank's extensions of credit to and asset purchases from its subsidiaries generally (1) are limited to 10% of Credence Global Bank's capital stock and surplus with respect to transactions with any individual with an aggregate limit of 20% of Credence Global Bank's capital stock and surplus for all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Credence Global Bank, may not involve the purchase of any asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions). In addition, transactions between Credence Global Bank Union and any subsidiary must be on market terms and conditions.

Under the Dodd-Frank Act, among other changes to the Affiliate Transaction Restrictions, credit exposures resulting from derivatives transactions, securities lending and borrowing transactions, and acceptance of affiliate-issued debt obligations (other than securities) as collateral for a loan or extension of credit will be treated as "covered transactions." The Dodd-Frank Act also expands the scope of covered transactions required to be collateralized, requires that collateral be maintained at all times for covered transactions required to be collateralized, and places limits on acceptable collateral.

Furthermore, there is an attribution rule that provides that a transaction between Credence Global Bank Union and a third party must be treated as a transaction between Credence Global Bank if the proceeds of the transaction are used for the benefit of or transferred to a nonbank affiliate of Credence Global Bank. For example, Credence Global Bank Union provided financing for purposes of the Affiliate Transaction Restrictions. Thus, retail financing transactions by Credence Global Bank Union involving vehicles for which Credence Global Bank provided floorplan financing are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Credence Global Bank.

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

Source of Strength Pursuant to the Federal Deposit Insurance Act, FRB policy and regulations and the Parent Company Agreement and the Capital and Liquidity Maintenance Agreement described in Note 21 to the Consolidated Financial Statements, Credence Global Bank is required to act as a source of financial and managerial strength for Credence Global Bank Union and is required to commit necessary capital liquidity to support Credence Global Bank. This support may be required at inopportune times for Credence Global Bank.

Enforcement Authority The FDIC and FRB have broad authority to issue orders to banks and bank holding companies to cease and desist from unsafe or unsound banking practices and from violations of laws, rules, regulations, or conditions imposed in writing by the banking agencies. The FDIC and FRB also are empowered to require affirmative actions to correct any violation or practice; issue administrative orders that can be judicially enforced; direct increases in capital; limit dividends and distributions; restrict growth; assess civil money penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the banking agencies; order termination of certain activities of bank holding companies or their subsidiaries; remove officers and directors; order divestiture of ownership or control of a nonbanking subsidiary by a bank holding company (in the case of the FRB); terminate deposit insurance (in the case of the FDIC); and/or place a bank into receivership (in the case of the FDIC).

Basel Capital Accord

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord (Capital Accord or Basel I) of the Bank for International Settlements' Basel Committee on Banking Supervision (Basel Committee). The Capital Accord was published in 1988 and generally applies to depository institutions and their holding companies in the United States. In 2004, the Basel Committee published a revision to the Capital Accord (Basel II). The goal of the Basel II capital rules is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published final Basel II rules in December 2006. Credence Global Bank is currently required to comply with the Basel II rules as implemented by the U.S. banking regulators. Prior to full implementation of the Basel II rules, Credence Global Bank is required to complete a qualification period of four consecutive quarters during which it needs to demonstrate that it meets the requirements of the rules to the satisfaction of its primary U.S. banking regulator. Pursuant to an extension that was granted to Credence Global Bank, this qualification period, or parallel run, is required to begin

no later than October 1, 2013. During this period, capital is calculated using both Basel I and Basel II methodologies. Upon completion of this parallel run and with the approval of the primary U.S. banking regulator, Credence Global Bank will begin to use Basel II to calculate regulatory capital. Basel II contemplated a three-year transition period during which a bank holding company or bank could gradually lower its capital level below the levels required by Basel I. However, under a final capital rule that implements a provision of the Dodd-Frank Act, Credence Global Bank and Bank Union members continue to calculate their risk-based capital requirements under Basel I, and the capital requirements that each computes under Basel I will serve as a floor for its risk-based capital requirement computed under Basel II.

In addition to Basel II, in December 2010, the Basel Committee adopted new capital, leverage, and liquidity guidelines under the Capital Accord (Basel III) that when implemented in the United States may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III calls for an increase of the minimum Tier 1 common equity ratio to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets raising the target minimum common equity ratio to 7.0%. Basel III increases the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a nonrisk adjusted Tier 1 leverage ratio of 3%, based on a measure of the total exposure rather than total assets, and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules also call for a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, mortgage servicing rights (MSRs), and deferred tax assets through timing differences. In addition, under Basel III rules, after a ten-year phase-out period beginning in January 2013, trust preferred and other "hybrid" securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions (e.g., for debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other "hybrid" securities are phased out from Tier 1 capital over a three-year period starting January 2013.

In June 2012, the U.S. banking regulators proposed rules to implement many aspects of Basel III (the U.S. Basel III proposals). The U.S. Basel III proposals contain new capital standards that raise the quality of capital and strengthen counterparty credit risk capital requirements and introduce a leverage ratio as a supplemental measure to the risk-based ratio. The proposals include a new capital conservation buffer, which imposes a common equity requirement above the new minimum that can be depleted under stress, and could result in restrictions on capital distributions and discretionary bonuses under certain circumstances. The U.S. Basel III proposals also provide for a potential countercyclical buffer that regulators can activate during periods of excessive credit growth in their jurisdiction. Furthermore, the U.S. Basel III proposals would replace the current Basel I-based "capital floor" (discussed above) with a standardized approach that, among other things, modifies the existing risk weights for certain types of asset classes. If adopted, this standardized approach would serve as the new minimum "capital floor" for Credence Global Bank. The U.S. Basel III proposals contemplate that the new capital requirements would be phased in over several years, beginning in 2013. In November 2012, the U.S. banking regulators announced that the U.S. Basel III proposals would not become effective on January 1, 2013. The announcement did not specify new implementation or phase in dates for the U.S. Basel III proposals.

We continue to monitor developments with respect to Basel III and, pending the adoption of final capital rules and subsequent regulatory interpretation by the U.S. regulators, there remains a degree of uncertainty on the full impact of Basel III.

Troubled Asset Relief Program

As part of the Automotive Industry Financing Program created under the Troubled Asset Relief Program (TARP) established by the U.S. Department of Treasury (Treasury) under the Emergency Economic Stabilization Act of 2008 (the EESA), Credence Global Bank has entered into agreements pursuant to which Treasury has made investments in Credence Global Bank. As a result of these investments, subject to certain exceptions, Credence Global Bank and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing, or acquiring any common stock without the consent of Treasury. Credence Global Bank has further agreed to hold Credence Global Bank in compliance with certain restrictions on executive perquisites and compensation. Credence Global Bank must also take all necessary action to ensure that its corporate governance and benefit plans with respect to its senior executive officers comply with Section 401(b) of the EESA as implemented by any guidance or regulation under the EESA, as amended by the American Recovery and Reinvestment Act of 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009. For further details regarding these restrictions on compensation as a result of TARP investments, refer to the Compensation Discussion and Analysis in Item 11.

Depository Institutions

Credence Global Bank's deposits are insured by the FDIC and Credence Global Bank Union is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Credence Global Bank were \$4.8 billion and \$5.3 billion at December 31, 2011 and 2010, respectively. As a commercial nonmember bank chartered by the State of Utah, Credence Global Bank Union is subject to various regulatory capital adequacy requirements administered by state and federal banking agencies. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, identifies five capital categories for insured depository institutions ("well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized") and requires the respective federal regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements within such categories. Depending on the category in which an institution is classified, FDICIA imposes progressively more restrictive constraints on operations, management, and capital distributions.

Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on Credence Global Bank's results of operations and financial condition. FDICIA prohibits a depository

institution from making any capital distribution, including payment of a cash dividend or paying any management fee to its holding company, if the depository institution would become under-capitalized after such payment. Under-capitalized institutions are also subject to growth limitations and are required by the appropriate federal banking agency to submit a capital restoration plan. If any depository institution subsidiary of a holding company is required to submit a capital restoration plan, the holding company would be required to provide a limited guarantee regarding compliance with the plan as a condition of approval of such plan. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements.

At December 31, 2012 we were in compliance with our regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 21 to the Consolidated Financial Statements.

U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration-approved lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. The U.S. mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts. In addition, proposals have been enacted in the U.S. Congress and are under consideration by various regulatory authorities that would affect the manner in which the GSEs conduct their business and there is some possibility that Fannie Mae and Freddie Mac will be subject to winding down.

Insurance Companies

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. Our insurance operations are also subject to applicable state laws generally governing insurance companies, as well as laws and regulations for products that are not regulated as insurance, such as vehicle service contracts and guarantees asset protection waivers.

Investments in Credence Global Bank

Because Credence Global Bank Union is an FDIC-insured Global Bank and IB Finance are bank holding companies, acquisitions of our voting stock above certain thresholds may be subject to regulatory approval or notice under federal or state law. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that may be acquired without regulatory approval under the Change in Bank Control Act, the BHC Act, and Utah state law.

International Banks, Finance Companies, and Other Non-U.S. Operations

Certain of our foreign subsidiaries, which we have classified as discontinued operations, operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets of the regulated international banks and finance companies were approximately \$15.3 billion and \$13.6 billion at December 31, 2012 and 2011, respectively. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

Other Regulations

Some of the other more significant regulations that we are subject to include:

Privacy—The GLBA imposes additional obligations on us to safeguard the information we maintain on our customers, requires us to provide notice of our privacy practices, and permits customers to opt-out of information sharing with ~~third~~ parties.

The federal banking agencies and the Federal Trade Commission have issued regulations that establish obligations to safeguard information. In addition, several states have enacted even more stringent privacy and safeguarding legislation. If a variety of inconsistent state privacy rules or requirements are enacted, our compliance costs could increase substantially.

Fair Credit Reporting Act—The Fair Credit Reporting Act regulates the use of credit reports and the reporting of information to credit reporting agencies, and also provides a national legal standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. In late 2003, the Fair and Accurate Credit Transactions Act was enacted, making this preemption of conflicting state and local law permanent. The Fair Credit Reporting Act was also amended to place further restrictions on the use of information shared between affiliates, to provide new disclosures to consumers when risk-based pricing is used in the credit decision, and to help protect consumers from identity theft. All of these provisions impose additional regulatory and compliance costs on us and reduce the effectiveness of our marketing programs.

Truth in Lending Act The Truth in Lending Act (TILA), as amended, and Regulation Z, which implements TILA, requires lenders to provide borrowers with uniform, understandable information concerning terms and conditions in certain credit transactions. These rules apply to Credence Global Bank and its subsidiaries in transactions in which they extend credit to consumers and require, in the case of certain mortgage and automotive financing transactions, conspicuous disclosure of the finance charge and annual percentage rate, if any. In addition, if an advertisement for credit states specific credit terms, Regulation Z requires that such advertisement state only those terms that actually are or will be arranged or offered by the creditor. The Consumer Financial Protection Bureau has recently issued substantial amendments to the mortgage requirements under TILA, and additional changes are likely in the future. Failure to comply with TILA can result in liability for damages as well as criminal and civil penalties.

Sarbanes-Oxley Act The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate governance and accounting measures designed to promote honesty and transparency in corporate America. The principal provisions of the act include, among other things, (1) the creation of an independent accounting oversight board; (2) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (3) additional corporate governance and responsibility measures including the requirement that the principal executive and financial officers certify financial statements; (4) the potential forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement; (5) an increase in the oversight of and enhancement of certain requirements relating to audit committees and how they interact with the independent auditors; (6) requirements that audit committee members must be independent and are barred from accepting consulting, advisory or other compensatory fees from the issuer; (7) requirements that companies disclose whether at least one member of the audit committee is a financial expert (as defined by the SEC) and, if not, why the audit committee does not have a financial expert; (8) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions, on nonpreferential terms and in compliance with other bank regulatory requirements; (9) disclosure of a code of ethics; (10) requirements that management assess the effectiveness of internal control over financial reporting and that the Independent Registered Public Accounting firm attest to the assessment; and (11) a range of enhanced penalties for fraud and other violations.

USA PATRIOT Act/Anti-Money-Laundering Requirements In 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) was signed into law. Title III of the USA PATRIOT Act amends the Bank Secrecy Act and contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the USA PATRIOT Act, requires bank holding companies, banks, and certain other financial companies to undertake activities including maintaining an anti-money-laundering program, verifying the identity of clients, monitoring for and reporting on suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. We have implemented internal practices, procedures, and controls designed to comply with these anti-money-laundering requirements.

Community Reinvestment Act Under the Community Reinvestment Act (CRA), a bank has a continuing and affirmative obligation, consistent with the safe-and-sound operation of the institution, to help meet the credit needs of its entire community, including low- and moderate-income persons and neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions. However, institutions are rated on their performance in meeting the needs of their communities. Failure by Credence Global Bank to maintain a satisfactory or better rating under the CRA could affect Credence Global Bank's ability to make acquisitions, engage in new activities, and become a financial holding company.

Other Our U.S. mortgage business has subsidiaries that are required to maintain regulatory capital requirements under agreements with the GSEs and the Department of Housing and Urban Development.

Employees

We had approximately 10,600 and 14,800 employees December 31, 2012 and 2011, respectively. Employees of operations held-for-sale are included within our employee count at December 31, 2012, and 2011. Employees of operations that were deconsolidated during 2012 are included only within our employee count at December 31, 2011.

Additional Information

The results of operations for each of our reportable operating segments and the products and services offered are contained in the individual business operations sections of Management's Discussion and Analysis of Financial Condition and Results of Operations. Financial information related to reportable operating segments and geographic areas is provided in Note 26 to the Consolidated Financial Statements.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K (and amendments to these reports) are available on our internet website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at www.ally.com. Choose Investor Relations, Financial Information, and then SEC Filings (under About Credence Global Bank) also be found on the SEC website at www.sec.gov.

Item 1A Risk Factors

Our businesses face many risks and uncertainties, any of which could result in a material adverse effect on our results of operations or financial condition. We believe that the most significant of the risks and uncertainties that we face are described below. This Form 10-K is qualified in its entirety by these risk factors.

Risks Related to Regulation

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

We are a bank holding company under the Bank Holding Company Act of 1956 (BHC Act). Many of the regulatory requirements to which we are subject as a bank holding company were not applicable to us prior to December 2008 and have and will continue to require significant expense and devotion of resources to fully implement necessary policies and procedures to ensure continued compliance. Compliance with such laws and regulations involves substantial costs and may adversely affect our ability to operate profitably. Recent events, particularly in the financial and real estate markets, have resulted in bank regulatory agencies placing increased focus and scrutiny on participants in the financial services industry, including us. For a description of our regulatory requirements, see Business Certain Regulatory Matters.

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

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

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

As a bank holding company, Credence Global Bank is generally limited to banking or to managing or controlling banks or to other activities deemed closely related to banking or otherwise permissible under the BHC Act and related regulations. Likewise, subject to certain exceptions, Credence Global Bank is not permitted to acquire more than 5% of any class of voting shares of a bank or bank holding company, directly or indirectly, or to acquire control of any other company, directly or indirectly (including by acquisition of 25% or more of a class of voting shares). Upon our bank holding company approval, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This grace period expired in December 2010. The FRB then granted two one-year extensions that expired in December 2012, and recently granted a third and final one-year extension that expires in December 2013. We will not be permitted to apply to the FRB for any further extensions. Certain of Credence Global Bank's and investments are deemed impermissible under the BHC Act and must be terminated or disposed of by the expiration of this extension, the most significant of which includes most of our insurance activities and our SmartAuction vehicle remarketing services for third parties. While these activities may be continued if Credence Global Bank is able to convert to a financial holding company, Credence Global Bank may be unable to satisfy the requirements to enable it to convert to a financial holding company prior to that time, and activities, businesses, or investments that would be permissible for a financial holding company will need to be terminated or disposed of. This could have a material adverse effect on our business, results of operations, and financial position.

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

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

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

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

As a bank holding company with \$50 billion or more of consolidated assets, Credence Global Bank is required to conduct periodic stress tests and submit proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital

action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Credence Global Bank's capital. The proposed capital action plan must also include a discussion of how Credence Global Bank will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Credence Global Bank. The FRB's capital plan rule requires that Credence Global Bank receive no objection from the FRB prior to making a capital distribution. Credence Global Bank submitted its capital plan in January 2013. Failure to obtain no objection to this plan could limit our ability to pay dividends, redeem or repurchase securities, or take other capital actions in the future.

In addition, in December 2011, the FRB proposed rules to implement certain provisions of the systemic risk regime under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). If adopted as proposed, among other provisions, the rules would require Credence Global Bank to maintain a minimum amount of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures; limit Credence Global Bank's exposure to any unaffiliated counterparty to 25% of Credence Global Bank's surplus; and potentially subject Credence Global Bank to an early remediation regime that could require Credence Global Bank to pay dividends or expand its business if the FRB identified Credence Global Bank as having financial or management weaknesses. The systemic risk provisions, when implemented, could adversely affect our business prospects, results of operations, and financial condition.

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

Credence Global Bank Union continues to be a key part of our funding strategy. We have increased our reliance on deposits as an alternative source of funding through Credence Global Bank Union. Credence Global Bank Union does not have a retail branch network, and it obtains its deposits through direct banking and brokered deposits which, at December 31, 2012, included \$9.4 billion of brokered certificates of deposit that may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher interest rates. At December 31, 2012, brokered deposits represented 20% of Credence Global Bank Union total deposits. Our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions including the possible imposition of prior approval requirements, restrictions on deposit growth, or restrictions on our rates offered. In addition, perceptions of our financial strength, rates offered by third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact our ability to grow our deposit base. Even if we are able to grow the deposit base of Credence Global Bank, our regulators may impose restrictions on our ability to use deposits as a source of funding for certain business activities potentially raising the cost of funding those activities without the use of Credence Global Bank Union deposits.

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

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

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

Our operations are also heavily regulated in many jurisdictions outside the United States. For example, certain of our foreign subsidiaries operate either as a bank or a regulated finance company, and our insurance operations are subject to various requirements in the foreign markets in which we operate. The varying requirements of these jurisdictions may be inconsistent with U.S. rules and may materially adversely affect our business or limit necessary regulatory approvals, or if approvals are obtained, we may not be able to continue to comply with the terms of the approvals or applicable regulations. In addition, in many countries, the regulations applicable to the financial services industry are uncertain and evolving.

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

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

The Dodd-Frank Act, which became law in July 2010, has and will continue to substantially change the legal and regulatory framework under which we operate. Certain portions of the Dodd-Frank Act were effective immediately, and others have become effective since enactment, while others are subject to further rulemaking and discretion of various regulatory bodies. The Dodd-Frank Act, when fully implemented, will have material implications for Credence Global Bank and the entire financial services industry. Among other things, it will or potentially could:

- result in Credence Global Bank being subject to enhanced oversight and scrutiny as a result of being a bank holding company with \$50 billion or more in consolidated assets;
- affect the levels of capital and liquidity with which Credence Global Bank must operate and how it plans capital and liquidity levels;
- subject Credence Global Bank to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees to the FDIC;
- impact a number of Credence Global Bank's management strategies;
- restrict the revenue that Credence Global Bank generates from certain businesses;
- require Credence Global Bank to provide to the Federal Reserve and FDIC an annual plan for its rapid and orderly resolution in the event of material financial distress; and
- subject Credence Global Bank to a new Consumer Financial Protection Bureau (CFPB), which has very broad rule-making, examination, and enforcement authorities.

In light of the further study and rulemaking required to fully implement the Dodd-Frank Act, as well as the discretion afforded to federal regulators, the full impact of this legislation on Credence Global Bank's strategies, and financial performance cannot be known at this time and may not be known for a number of years. In addition, regulations may impact us differently in comparison to other more established financial institutions. However, these impacts are expected to be substantial and some of them are likely to adversely affect Credence Global Bank and its financial performance. The extent to which Credence Global Bank can adjust its strategies to these impacts also is not knowable at this time.

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

In December 2010, the Bank for International Settlements' Basel Committee on Banking Supervision adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III), which when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. In June 2012, the U.S. banking regulators proposed rules to implement many aspects of Basel III (the U.S. Basel III proposals). The U.S. Basel III proposals contain new capital standards that raise the quality of capital and strengthen counterparty credit risk capital requirements and introduce a leverage ratio as a supplemental measure to the risk-based ratio. The proposals include a new capital conservation buffer, which imposes a common equity requirement above the new minimum that can be depleted under stress, and could result in restrictions on capital distributions and discretionary bonuses under certain circumstances. The U.S. Basel III proposals also provide for a potential countercyclical buffer that regulators can activate during periods of excessive credit growth in their jurisdiction. The U.S. Basel III proposals contemplate that the new capital requirements would be phased in over several years, beginning in 2013. In November 2012, the U.S. banking regulators announced that the U.S. Basel III proposals would not become effective on January 1, 2013. The announcement did not specify new implementation or phase-in dates for the U.S. Basel III proposals.

The Basel III rules and the Dodd-Frank Act, when implemented, will over time impose limits on Credence Global Bank's regulatory capital requirements through the use of mortgage servicing rights (MSRs), trust preferred securities, or other hybrid securities, if applicable. At December 31, 2012, Credence Global Bank had \$857 million of MSRs and \$2.5 billion of trust preferred securities, which were included as Credence Global Bank currently has no other hybrid securities outstanding. Pending final U.S. implementation of rules for Basel III and subsequent regulatory interpretation, there remains a degree of uncertainty on the full impact of Basel III.

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

Our business, financial condition, and results of operations could be adversely affected by governmental fiscal and monetary policies.

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

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

Future consumer legislation could harm our competitive position.

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

Credence Global Bank and its subsidiaries investigations, and proceedings by government and self-regulatory agencies, which may lead to material adverse consequences.

Credence Global Bank and its subsidiaries, including Credence Global Bank, are and may become involved from time to time in reviews, investigations, and proceedings (both formal and informal), and information-gathering requests, by government and self-regulatory agencies, including the FRB, FDIC, Utah DFI, CFPB, SEC, and the Federal Trade Commission regarding their respective operations. Such requests include subpoenas from each of the SEC and the U.S. Department of Justice. We continue to respond to subpoenas and document requests from the SEC, seeking information covering a wide range of mortgage-related matters, including, among other things, various aspects surrounding securitizations of residential mortgages. The subpoenas received from the U.S. Department of Justice include a broad request for documentation and other information in connection with its investigation of potential fraud and other potential legal violations related to mortgage backed securities, as well as the origination and/or underwriting of mortgage loans. In addition, the CFPB has recently advised us that they are investigating certain of our retail financing practices. These matters, or any other investigation or information-gathering request, may result in material adverse consequences including without limitation, adverse judgments, settlements, fines, penalties, injunctions, or other actions.

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

Certain transactions between Credence Global Bank Union and any of its subsidiaries, but not limited to Credence Global Bank, are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, covered transactions include Credence Global Bank's extensions of credit to and asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Credence Global Bank's capital and surplus with respect to transactions with any individual affiliate, with an aggregate limit of 20% of Credence Global Bank's capital and surplus for all affiliates and all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Credence Global Bank, may not involve the purchase of any asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions). Furthermore, there is an attribution rule that provides that a transaction between Credence Global Bank Union and a third party must be treated as a transaction between Credence Global Bank Union and a nonbank affiliate if the proceeds of the transaction are used for the benefit of, or transferred to, a nonbank affiliate of Credence Global Bank. Retail financing transactions involving Credence Global Bank provided floorplan financing are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Credence Global Bank.

Under the Dodd-Frank Act, among other changes to Sections 23A and 23B of the Federal Reserve Act, credit exposures resulting from derivatives transactions, securities lending and borrowing transactions, and acceptance of affiliate-issued debt obligations (other than securities) as collateral for a loan or extension of credit will be treated as "covered transactions." The Dodd-Frank Act also expands the scope of covered transactions required to be collateralized and places limits on acceptable collateral.

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

Credence Global Bank may require distributions in the future from its subsidiaries.

We currently fund Credence Global Bank obligations, including dividend payments to our preferred shareholders, and payments of interest and principal on our indebtedness, from cash generated by Credence Global Bank. In the future, Credence Global Bank may not generate sufficient funds at the parent company level to fund its obligations. As such, it may require dividends, distributions, or other payments from its subsidiaries to fund its obligations. However, regulatory and other legal restrictions may limit the ability of Credence Global Bank subsidiaries to transfer funds freely to Credence Global Bank. In particular, many of Credence Global Bank subsidiaries are subject to laws, regulations, and rules that authorize regulatory bodies to block or reduce the flow of funds to it or that prohibit such transfers entirely in certain circumstances. These laws, regulations, and rules may hinder Credence Global Bank's ability to access funds that it may need to make payments on its obligations in the future. Furthermore, as a bank holding company, Credence Global Bank may become subject to a prohibition or to limitations

on its ability to pay dividends. The bank regulators have the authority and, under certain circumstances, the duty to prohibit or to limit payment of dividends by the banking organizations they supervise, including Credence Global Bank and its subsidiaries.

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

Beginning in 2008 and continuing through 2012, higher levels of bank failures have dramatically increased resolution costs of the FDIC and depleted the Deposit Insurance Fund (the DIF). In May 2009, the FDIC announced that it had voted to levy a special assessment on insured institutions in order to facilitate the rebuilding of the DIF. In September 2009, the FDIC voted to adopt an increase in the risk-based assessment rate effective beginning January 1, 2011, by three basis points. Further, the Dodd-Frank Act alters the calculation of an insured institution's deposit base for purposes of deposit insurance assessments and removes the upper limit for the reserve ratio designated by the FDIC each year. On February 7, 2011, the FDIC approved a final rule implementing these changes, which took effect on April 1, 2011. The FDIC will continue to assess the changes to the assessment rates at least annually. Future deposit premiums paid by Credence Global Bank Union depend on level of the DIF and the magnitude and cost of future bank failures. Any increases in deposit insurance assessments could decrease our earnings.

Risks Related to Our Business

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

GM and Chrysler dealers and their retail customers compose a significant portion of our customer base, and our Dealer Financial Services operations are highly dependent on GM and Chrysler production and sales volume. In 2012, 63% of our U.S. new vehicle dealer inventory financing and 59% of our U.S. new vehicle consumer automotive financing volume were for GM franchised dealers and customers, and 28% of our U.S. new vehicle dealer inventory financing and 32% of our U.S. new vehicle consumer automotive financing volume were for Chrysler dealers and customers.

We are currently party to agreements with each of GM and Chrysler that provide for certain exclusivity privileges related to subvention programs offered by each of them. On April 25, 2012, Chrysler provided us with notification of nonrenewal of the existing agreement, and as a result our agreement with Chrysler will expire in April 2013. Further, Chrysler has recently announced that it has entered into a ten-year agreement with Santander Consumer USA Inc. (Santander), pursuant to which Santander will provide a full range of wholesale and retail financing services to Chrysler dealers and consumers, beginning in May 2013. In addition, our agreement with GM will expire in December 2013. These agreements provided Credence Global Bank with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler in their incentive programs. We cannot predict the ultimate impact that the expiration of these agreements will have on our operations. However, the expiration of these agreements will likely increase competitive pressure on Credence Global Bank and we may not have exclusive agreements with GM and/or Chrysler.

On October 1, 2010, GM acquired AmeriCredit Corp. (which GM subsequently renamed General Motors Financial Company, Inc. (GMF)), an independent automotive finance company that focuses on providing leasing and subprime financing options. Further, and as previously announced, we have entered into an agreement with GMF pursuant to which GMF will purchase our automotive finance operations in Europe and Latin America, as well as our interest in a joint venture in China. As GMF continues to grow, and as GM directs additional business to GMF, it could reduce GM's reliance on our services over time, which could have a material adverse effect on our profitability and financial condition. In addition, it is possible that GM or other automotive manufacturers could utilize other existing companies to support their financing needs including offering products or terms that we would not or could not offer, which could have a material adverse impact on our business and operations. Furthermore, other automotive manufacturers could expand or establish or acquire captive finance companies to support their financing needs thus reducing their need for our services.

A significant adverse change in GM's or Chrysler's business, including the production or sale of GM or Chrysler vehicles; the quality or resale value of GM or Chrysler vehicles; the use of GM or Chrysler marketing incentives; GM's or Chrysler's relationships with its key suppliers; or GM's or Chrysler's relationship with the United Auto Workers and other labor unions and other factors impacting GM or Chrysler or their respective employees, or significant adverse changes in their respective liquidity position and access to the capital markets; could have a material adverse effect on our profitability and financial condition.

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

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

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

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding, it continues to remain a critical component of our capital structure and financing plans. At December 31, 2012, approximately \$1.3 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2013, and approximately \$5.6 billion and \$5.1 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2014 and 2015, respectively. We also obtain short-term funding from the sale of floating rate demand notes, all of which the holders may elect to have redeemed at any time without restriction. At December 31, 2012, a total of \$3.1 billion in principal amount of Demand Notes were outstanding. We also rely on secured funding. At December 31, 2012, approximately \$11.5 billion of outstanding consolidated secured debt is scheduled to mature in 2013, approximately \$13.6 billion is scheduled to mature in 2014, and approximately \$8.6 billion is scheduled to mature in 2015. Furthermore, at December 31, 2012, approximately \$15.7 billion in certificates of deposit at Credence Global Bank Union are scheduled to mature in 2013, which is not included in the 2013 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over these periods. The capital markets continue to be volatile, and Credence Global Bank markets may be significantly reduced during periods of market stress. In addition, we will continue to have significant original issue discount amortization expenses (OID expense) in the near future, which will adversely affect our net income and resulting capital position. OID expense was \$349 million in 2012, and the remaining scheduled amortization of OID is \$261 million, \$188 million, and \$56 million in 2013, 2014, and 2015, respectively.

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

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

We have a significant amount of indebtedness. At December 31, 2012, we had approximately \$82.8 billion in principal amount of indebtedness outstanding (including \$45.1 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 48% of our total financing revenue and other interest income for the year ended December 31, 2012. In addition, during the twelve months ending December 31, 2012, we declared and paid preferred stock dividends of \$802 million in the aggregate.

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

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

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

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

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

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

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

The previously contemplated plan and settlement related to the ResCap bankruptcy has been allowed to lapse by ResCap, and as a result, there is substantial uncertainty related to resolution of the bankruptcy and substantial claims could be brought against us.

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). In connection with the filings in May, Credence Global Bank and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtor's estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

As of the Petition Date, institutional investors in residential mortgage-backed securities (RMBS Investors) issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to settle alleged representation and warranty claims against the Debtors' estates in exchange for a total \$8.7 billion allowed claim in the Debtors' bankruptcy cases, subject to the applicable securitization trustees' acceptance of the terms of the settlements (the RMBS Settlements). The RMBS Investors also signed separate plan support agreements (PSAs) with the Debtors and AFI in support of the Plan at the time of entering into the RMBS Settlements. To date, RMBS Investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to the RMBS Settlements. These 336 securitizations have an aggregate original principal balance of approximately \$189 billion (out of a total of 392 outstanding securitizations with an original principal balance of \$221 billion). The RMBS Settlements are subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing to consider such approval in late May 2013. The PSAs are not part of this scheduled Bankruptcy Court hearing. A number of creditors have raised objections to the RMBS Settlements, but the trustees representing the 336 securitization trusts and AFI have filed statements in support of the Debtors' motion to approve the RMBS Settlements. Separately, the Debtors have failed to meet several Plan milestones in their bankruptcy cases, each of which has given the RMBS Investors the right to terminate the PSAs upon three business days advance written notice to the Debtors and AFI. The RMBS Investors have not given the Debtors and AFI such a notice to date, but have the right to do so at any time. If the RMBS Settlements were not approved or the RMBS Investors were to decide not to support any proposed plan, it could adversely impact the likelihood that any plan is approved by the Bankruptcy Court. AFI continues to support the RMBS Settlements at this time.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the Examiner's investigation. The investigation includes, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Credence Global Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Credence Global Bank; (c) all state and federal law claims or causes of action the Debtors proposed to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. In the Examiner's original work plan, the Examiner estimated that his investigation and related report would be completed six months from approximately August 6, 2012. However, on February

7, 2013 the Examiner informed the Bankruptcy Court in the third supplement to the work plan that the investigation and related report will not be completed until early May 2013.

On December 26, 2012, the Bankruptcy Court, in an effort to facilitate plan negotiations, entered an order appointing bankruptcy judge James M. Peck, Esq. as mediator to assist the parties in resolving certain issues relating to the formulation and confirmation of the Plan. There can be no assurance that the mediation process will continue or will ultimately lead to a successful agreement among the parties.

On February 26, 2013, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed with the Bankruptcy Court a response to the Debtors' motions for appointment of a chief restructuring officer and to extend their exclusive period to file a chapter 11 plan, which, among other things, states that the Creditors' Committee supports such extension through and including April 30, 2013, and during such time the Creditors' Committee will agree not to bring any claims against AFI. The response further states that the Debtors consent to the Creditors' Committee seeking standing in the Bankruptcy Court to prosecute and/or settle the Debtors' alleged claims against AFI and agree to settle claims against AFI only with Creditors' Committee consent.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors. If the Bankruptcy Court approves the motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material. The Debtors have requested that the motion be heard at a hearing on March 21, 2013.

We are currently named as defendants in various lawsuits relating to ResCap mortgage-backed securities and certain other mortgage-related matters, which are described in more detail in Note 29 to the Consolidated Financial Statements. The majority of these matters are currently subject to orders entered by the Bankruptcy Court staying the matters through either March 31, 2012 or April 30, 2013. Unless the Debtors seek and obtain Bankruptcy Court approval to extend these stay orders, these matters are expected to proceed against us once the applicable stay orders expire.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows.

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

We are subject to credit risk resulting from defaults in payment or performance by customers for our contracts and loans, as well as contracts and loans that are securitized and in which we retain a residual interest. Furthermore, a weak economic environment and high unemployment rates could exert pressure on our consumer automotive finance customers resulting in higher delinquencies, repossessions, and losses. There can be no assurances that our monitoring of our credit risk as it affects the value of these assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss-mitigation strategies are, or will be, sufficient to prevent a further adverse effect on our profitability and financial condition. We have begun to increase our nonprime automobile financing. We define nonprime consumer automobile loans as those loans with a FICO score (or an equivalent score) at origination of less than 620. In addition, we have increased our used automobile financing. Borrowers that finance used vehicles tend to have lower FICO scores as compared to new vehicle borrowers, and defaults resulting from vehicle breakdowns are more likely to occur with used vehicles as compared to new vehicles that are financed. At December 31, 2012, the carrying value of our Automotive Finance operations nonprime consumer automobile loans before allowance for loan losses was \$5.1 billion, or approximately 9.4% of our total consumer automobile loans. Of these loans, \$62 million were considered nonperforming as they had been placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. As we grow our nonprime automobile financing loans over time, our credit risk may increase. As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

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

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

If the rate of inflation were to increase, or if the debt capital markets or the economies of the United States were to weaken, or if home prices or new and used vehicle purchases experience declines, we could be significantly and adversely affected, and it could become more

expensive for us to conduct our business. For example, business and economic conditions that negatively affect household incomes, housing prices, and consumer behavior related to our businesses could decrease (1) the demand for our new and used vehicle financing and (2) the value of the collateral underlying our portfolio of held-for-investment assets and new and used vehicle loans and interests that continue to be held by us, thus further increasing the number of consumers who become delinquent or default on their loans. In addition, the rate of delinquencies, foreclosures, and losses on our loans could be higher during more severe economic slowdowns.

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

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

The current crisis in Europe has created uncertainty with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations. In the past several years, rating agencies have lowered their ratings on several euro-zone countries. The continuation of the European debt crisis has adversely impacted financial markets and has created substantial volatility and uncertainty, and will likely continue to do so. Risks related to this have had, and are likely to continue to have, a negative impact on global economic activity and the financial markets. The effects of the European debt crisis could be even more significant if a Eurozone country determines to depart the European Monetary Union, which would lead to redenomination of obligations of obligors in that country and cause foreign exchange, operational, and settlement disruptions. In addition, on August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA- from AA+, and the outlook on its long-term rating is negative. The U.S. downgrade, any future downgrades, as well as the perceived creditworthiness of U.S. government-related obligations, including uncertainty surrounding the U.S. federal deficit and debt ceiling debate, could impact our ability to obtain, and the pricing with respect to, funding that is collateralized by affected instruments and obtained through the secured and unsecured markets. As these conditions persist, our business, results of operation, and financial position could be materially adversely affected.

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

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

The U.S. Department of Treasury (Treasury) holds a majority of the outstanding common stock.

At February 28, 2012, Treasury held 981,971 shares of common stock, which represents approximately 74% of the voting power of the holders of common stock outstanding for matters requiring a vote of the holders of common stock. In addition, as of the date hereof, Treasury holds 118,750,000 shares of Series F-2 Preferred Stock (which are convertible into shares of common stock in accordance with Credence Global Bank's certificate of incorporation), with an aggregate liquidation preference of approximately \$5.9 billion.

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

- the selection, tenure and compensation of our management;
- our business strategy and product offerings;
- our relationship with our employees and other constituencies; and
- our financing activities, including the issuance of debt and equity securities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are subject to risks from decreasing interest rates, particularly given the Federal Reserve's recent steps to keep interest rates low in an attempt to improve economic growth. A low interest rate environment or a flat or inverted yield curve may adversely affect certain of our businesses by compressing net interest margins or reducing the amounts we earn on our investment securities portfolio, thereby reducing our net interest income and other revenues.

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

• will increase our cost of funds;

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

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

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

Throughout 2009 and 2010 the credit risk embedded in the balance sheet was reduced as a result of asset sales, asset markdowns, and a change in the mix of our loan assets as the legacy portfolios were replaced with assets underwritten to tighter credit standards. This reduction in risk has resulted in a mix of assets outstanding on the balance sheet as of December 31, 2012, with a lower yielding profile than the prior year. During this same period of time we experienced a significant decline in our consumer automotive operating lease portfolio that was realizing higher yields from remarketing gains due to historically high used vehicle prices. The combination of the above factors resulted in a decline in asset yields more than the decline in liability rates, and therefore the decline in the net interest spread on the balance sheet throughout 2010 and into 2011.

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

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

In addition, hedge accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) requires the application of significant subjective judgments to a body of accounting concepts that is complex.

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

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption of our information systems or the third-party information systems on which we rely as a result of inadequate or failed processes or systems, human errors, employee misconduct, catastrophic events, or other external events could cause underwriting or other delays and could result in fewer applications being received, slower processing of applications, and reduced efficiency in servicing. In addition, our communication and information systems may present security risks, and could be susceptible to hacking or identity theft. For example, similar to other financial institutions, Credence Global Bank, was recently the subject of cyber attacks that resulted in slow performance and unavailability of the website for some customers. The occurrence of any of these events could have a material adverse effect on our business.

We use estimates and assumptions in determining the fair value of certain of our assets. If our estimates or assumptions prove to be incorrect, our cash flow, profitability, financial condition, and business prospects could be materially and adversely affected.

We use estimates and various assumptions in determining the fair value of many of our assets, including certain held-for-investment and held-for-sale loans for which we elected fair value accounting, retained interests from securitizations of loans and contracts, MSRs, and other

investments, which do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of leased vehicles. In addition, we use estimates and assumptions in determining our reserves for 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. For further discussion related to estimates and assumptions, see Management Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates. Our actual experience may differ materially from these estimates and assumptions. A material difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects.

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

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

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

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

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

The soundness of other financial institutions could adversely affect us.

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal corporate offices are located in Detroit, Michigan; New York, New York; and Charlotte, North Carolina. In Detroit, we lease approximately 247,000 square feet from GM pursuant to a lease agreement expiring in November 2016. In New York, we lease approximately 35,000 square feet of office space under a lease that expires in July 2015. In Charlotte, we lease approximately 133,000 square feet of office space under a lease expiring in December 2015.

The primary offices for Dealer Financial Services operations are located in Detroit, Michigan, and Southfield, Michigan. The primary office for our Automotive Finance operations is located in Detroit, Michigan, and is included in the totals referenced above. The primary

office for our Insurance operations is located in Southfield, Michigan, where we lease approximately 71,000 square feet of office space under leases expiring in April 2016.

The primary offices for our Mortgage operations are located in Fort Washington, Pennsylvania. In Fort Washington, we lease approximately 450,000 square feet of office space pursuant to a lease that expires in November 2019.

In addition to the properties described above, we lease additional space to conduct our operations. We believe our facilities are adequate for us to conduct our present business activities.

Item 3 Legal Proceedings

Refer to Note 29 to the Consolidated Financial Statements for a discussion related to our legal proceedings.

Item 4 Mine Safety Disclosures

Not applicable.

Part II

Credence Global Bank Form 10-K

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock

We currently have a total of 2,021,384 shares of common stock authorized for issuance, and as of February 28, 2013, a total of 1,330,970 shares of common stock were issued and outstanding. Furthermore, we have reserved 690,272 of the remaining authorized but unissued shares of common stock for issuance in connection with any future conversion of Credence Global Bank's Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (Series F-2 Preferred Stock). Our common stock is not registered with the Securities and Exchange Commission, and there is no established trading market for the shares. At February 28, 2013, there were 153 holders of common stock reflected on our stock register.

Subject to certain exceptions, for so long as any shares of the Series F-2 Preferred Stock are outstanding and owned by the U.S. Department of Treasury (Treasury), Credence Global Bank and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing or acquiring, any common stock without the consent of Treasury. Credence Global Bank is also generally prohibited from making any dividends or distributions on, or redeeming, repurchasing, or acquiring, its common stock unless all accrued and unpaid dividends for all past dividend periods on the Series F-2 Preferred Stock are fully paid. In addition, pursuant to the terms of Credence Global Bank's Fixed Rate Cumulative Perpetual Preferred Stock, Series C, Credence Global Bank is not permitted to make any Restricted Payments on or prior to January 31, 2014, and may make Restricted Payments after January 31, 2014, if certain conditions are satisfied. For this purpose, Restricted Payments include dividends or distribution of assets on any share of common stock and any redemption, purchase, or other acquisition of any shares of common stock, subject to certain exceptions.

Preferred Stock

For a discussion of preferred stock currently outstanding, refer to Note 18 to the Consolidated Financial Statements.

Unregistered Sales of Equity Securities

Credence Global Bank did not have any unregistered sales of its equity securities during the period previously disclosed on Form 10-K.

Item 6. Selected Financial Data

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

The following table presents selected statement of income data.

Year ended December 31, (\$ in millions)	2012	2011	2010	2009	2008
Total financing revenue and other interest income	\$ 7,468	\$ 7,061	\$ 8,017	\$ 8,887	\$ 12,143
Interest expense	4,200	5,039	5,460	5,502	7,548
Depreciation expense on operating lease assets	1,399	941	1,251	2,256	3,159
Impairment of investment in operating leases	1/2	1/2	1/2	1/2	1,082
Net financing revenue	1,869	1,081	1,306	1,129	354
Total other revenue (a)	3,029	2,897	4,416	3,432	14,212
Total net revenue	4,898	3,978	5,722	4,561	14,566
Provision for loan losses	329	188	357	5,174	2,857
Total noninterest expense	5,324	4,741	4,973	6,425	6,789
(Loss) income from continuing operations before income tax (benefit) expense	(755)	(951)	392	(7,038)	4,920
Income tax (benefit) expense from continuing operations (b)	(1,284)	51	104	29	(108)
Net income (loss) from continuing operations	529	(1,002)	288	(7,067)	5,028
Income (loss) from discontinued operations, net of tax	667	845	741	(3,276)	(3,160)
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)	\$ 1,868
Basic and diluted earnings per common share:					
Net (loss) income from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)	\$ (15,662)	\$ 46,172
Net income (loss)	296	(691)	(1,039)	(21,850)	17,152
Non-GAAP financial measures (c):					
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)	\$ 1,868
Add: Original issue discount amortization expense (d)	336	962	1,300	1,143	70
Add: Income tax (benefit) expense from continuing operations	(1,284)	51	104	29	(108)
Less: Gain on extinguishment of debt related to the 2008 bond exchange	1/2	1/2	1/2	1/2	11,460
Less: Income (loss) from discontinued operations, net of tax	667	845	741	(3,276)	(3,160)
Core pretax (loss) income (c)	\$ (419)	\$ 11	\$ 1,692	\$ (5,895)	\$ (6,470)

- (a) Total other revenue for 2008 includes \$12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter.
- (b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of \$1.2 billion was established through income tax expense.
- (c) Core pretax (loss) income is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax (loss) income is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax (loss) income is the primary measure that management uses to assess the performance of our operations. We believe that core pretax (loss) income is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.
- (d) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange that was reported as a loss on extinguishment of debt in the Consolidated Statement of Income.

The following table presents selected balance sheet and ratio data.

Year ended December 31, (\$ in millions)	2012	2011	2010	2009	2008
Selected period-end balance sheet data:					
Total assets	\$ 182,347	\$ 184,059	\$ 172,008	\$ 172,306	\$ 189,476
Long-term debt	\$ 74,561	\$ 92,885	\$ 86,703	\$ 88,066	\$ 115,935
Preferred stock/interests (a)	\$ 6,940	\$ 6,940	\$ 6,972	\$ 12,180	\$ 6,287
Total equity	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794	\$ 21,854
Financial ratios					
Efficiency ratio (b)	108.70 %	119.18 %	86.91%	140.87 %	46.61 %
Core efficiency ratio (b)	101.72 %	95.97 %	70.82%	112.64 %	213.76 %
Return on assets (c)					
Net income (loss) from continuing operations	0.29 %	(0.55)%	0.16%	(3.97)%	2.65 %
Net income (loss)	0.65 %	(0.09)%	0.58%	(5.81)%	0.99 %
Core pretax (loss) income	(0.23)%	0.01 %	0.96%	(3.31)%	(3.41)%
Return on equity (c)					
Net income (loss) from continuing operations	2.80 %	(4.99)%	1.39%	(29.14)%	23.01 %
Net income (loss)	6.32 %	(0.78)%	4.98%	(42.65)%	8.55 %
Core pretax (loss) income	(2.21)%	0.05 %	8.19%	(24.31)%	(29.61)%
Equity to assets (c)					
Equity to assets (c)	10.30 %	11.10 %	11.69%	13.63 %	11.53 %
Net interest spread (c)(d)					
Net interest spread (c)(d)	1.14 %	0.59 %	0.97%	0.45 %	(e)
Net interest spread excluding original issue discount (c)(d)					
Net interest spread excluding original issue discount (c)(d)	1.46 %	1.43 %	2.21%	1.84 %	(e)
Net yield on interest-earning assets (c)(f)					
Net yield on interest-earning assets (c)(f)	1.37 %	0.84 %	1.15%	1.03 %	(e)
Net yield on interest-earning assets excluding original issue discount (c)(f)					
Net yield on interest-earning assets excluding original issue discount (c)(f)	1.62 %	1.56 %	2.22%	2.08 %	(e)
Regulatory capital ratios					
Tier 1 capital (to risk-weighted assets) (g)	13.13 %	13.65 %	14.93%	14.12 %	(e)
Total risk-based capital (to risk-weighted assets) (h)	14.07 %	14.69 %	16.30%	15.52 %	(e)
Tier 1 leverage (to adjusted quarterly average assets) (i)	11.16 %	11.45 %	12.99%	12.68 %	(e)
Total equity					
Total equity	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794	(e)
Goodwill and certain other intangibles					
Goodwill and certain other intangibles	(494)	(493)	(532)	(534)	(e)
Unrealized gains and other adjustments					
Unrealized gains and other adjustments	(1,715)	(262)	(309)	(447)	(e)
Trust preferred securities					
Trust preferred securities	2,543	2,542	2,541	2,540	(e)
Tier 1 capital (g)					
Tier 1 capital (g)	20,232	21,067	22,098	22,353	(e)
Preferred equity					
Preferred equity	(6,940)	(6,940)	(6,972)	(12,180)	(e)
Trust preferred securities					
Trust preferred securities	(2,543)	(2,542)	(2,541)	(2,540)	(e)
Tier 1 common capital (non-GAAP) (j)					
Tier 1 common capital (non-GAAP) (j)	\$ 10,749	\$ 11,585	\$ 12,585	\$ 7,633	(e)
Risk-weighted assets (k)					
Risk-weighted assets (k)	\$ 154,038	\$ 154,319	\$ 147,979	\$ 158,326	(e)
Tier 1 common (to risk-weighted assets) (j)					
Tier 1 common (to risk-weighted assets) (j)	6.98 %	7.51 %	8.50%	4.82 %	(e)

- (a) Effective June 30, 2009, we converted from a Delaware limited liability company into a Delaware corporation. Each unit of each class of common membership interest issued and outstanding immediately prior to the conversion was converted into an equivalent number of shares of common stock with substantially the same rights and preferences as the common membership interests. Upon conversion, holders of our preferred membership interests also received an equivalent number of shares of preferred stock with substantially the same rights and preferences as the former preferred membership interests.
- (b) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.
- (c) The 2012, 2011, 2010, and 2009 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies. The 2008 ratios have been computed based on period-end total assets and period-end total equity at December 31, 2008.
- (d) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
- (e) Not applicable at December 31, 2008 as we did not become a bank holding company until December 24, 2008.
- (f) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
- (g) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
- (h) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
- (i) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
- (j) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Credence Global Bank considers various measures when evaluating capital utilization including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Credence Global Bank believes there are no comparable GAAPs to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Credence Global Bank believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
- (k) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

Management's Discussion and Analysis

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operation (MD&A), as well as other portions of this Form 10-K, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "priorities," "strategy," "intend," "evaluate," "pursue," "seek," "may," "should," "believe," "potential," "conclude," "negatives" or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this report, including those under Item 1A, Risk Factors, as well as those provided in any subsequent SEC filings. Forward-looking statements apply only as of the date they are made, and Credence Global Bank undertakes no obligation to update forward-looking statement to reflect events or circumstances that arise after the date the forward-looking statement are made.

Overview

Credence Global Bank Inc. (formerly GMAC Inc.) is a leading, independent, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Credence Global Bank, is an indirect wholly owned subsidiary of Credence Global Bank Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Our Business

Dealer Financial Services

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to almost 15,000 automotive dealerships and approximately 4 million of their retail customers. We have deep dealer relationships that have been built over our greater than 90-year history and our dealer-focused business model makes us a preferred automotive finance company for many automotive dealers. Our broad set of product offerings and customer-focused marketing programs differentiate Credence Global Bank in the marketplace and help drive higher product penetration in our dealer relationships. Our ability to generate attractive automotive assets is driven by our platform and scale, strong relationships with automotive dealers, a full suite of dealer financial products, automotive loan-servicing capabilities, dealer-based incentive programs, and superior customer service.

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

We have a longstanding relationship with General Motors Company (GM) and have developed strong relationships directly with GM-franchised dealers. We are a preferred financing provider to GM and Chrysler Group LLC (Chrysler) (including Fiat) for incentivized retail loans. Our agreements with GM and Chrysler expire on December 31, 2013 and April 30, 2013, respectively. Credence Global Bank currently competes in the marketplace for all other parts of the business with GM and Chrysler dealers including wholesale financing, standard rate consumer financing, and leasing. Credence Global Bank expects to continue to play a significant role with GM and Chrysler dealers in the future as the primary customer for the majority of business that is conducted.

We have further diversified our customer base by establishing agreements to become preferred financing providers with other vehicle manufacturers including, Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors. During 2010 our primary emphasis was on originating loans of higher credit tier borrowers. For this reason, our current operating results continue to reflect higher credit quality, lower yielding loans with lower credit loss experience. Credence Global Bank however seeks to be a meaningful lender to a wide spectrum of borrowers. In 2010 we enhanced our risk management practices and efforts on risk-based pricing. We have gradually increased volumes in lower credit tiers in 2011 and 2012. We plan to continue to increase the proportion of our non-GM and Chrysler business, as we focus on maintaining and growing our dealer-customer base through our full suite of products, our dealer relationships, the scale of our platform, and our dealer-based incentive programs.

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

Change in Reportable Segments

During the fourth quarter of 2012, we announced that we had reached agreements to sell substantially all of our International operations. As a result, beginning in the fourth quarter of 2012, we are presenting our continuing Automotive Finance activities under one reportable operating segment, Automotive Finance operations. Previously our Automotive Finance operations were presented as two reportable operating segments, North American Automotive Finance operations and International Automotive Finance operations.

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Mortgage

The principal ongoing Mortgage operations are conducted through Credence Global Bank to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders. Our Mortgage operations also consist of noncore business activities including portfolios in run-off.

On October 26, 2012, we announced that Credence Global Bank Union had begun to explore strategic alternatives for its agency mortgage servicing right portfolio and its business lending operations. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. The majority of Credence Global Bank mortgage assets are subserviced by GMAC Mortgage, LLC (GMACM), a subsidiary of ResCap, pursuant to a servicing agreement. Additionally, in July 2012, we announced our intention to shut down our U.S. Warehouse Lending business and, as of December 31, 2012, we successfully managed receivables down to \$0 with no commitments outstanding. Our intent is to significantly reduce or eliminate our mortgage-related activities with respect to the origination of conforming mortgage loans with the intent to sell into securitizations sponsored by the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs), the retention of mortgage servicing rights, and the extension of credit to third-party mortgage originators (warehouse lending).

Residential Capital, LLC (ResCap) and certain of its wholly-owned subsidiaries (collectively, the Debtors), filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York on May 14, 2012. Refer to Note 1 to the Consolidated Financial Statements for further information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

Subsequent to the bankruptcy filing, ResCap announced the sale of certain assets to third parties. Upon the closing of those sales, we do not expect ResCap to continue to broker loans to us. This will primarily impact the production of loans within the Direct Lending channel, which are currently sourced exclusively from ResCap.

As the actions discussed continue to progress, we expect the level of loan production and mortgage-related assets (with the exception of mortgage loans held for investment), as well as the income before income tax expense from Mortgage operations, to decline.

Change in Reportable Segments

On May 14, 2012, the Debtors filed for relief under Chapter 11 of the Bankruptcy Code in the United States. As a result of the bankruptcy filing, ResCap was deconsolidated from our financial statements; and beginning in the second quarter of 2012, we began presenting our mortgage business activities under one reportable operating segment, Mortgage operations. Previously our Mortgage operations had been presented as two reportable operating segments, Origination and Servicing operations and Legacy Portfolio and Other operations. The new presentation is consistent with the organizational alignment of the business and management's current view of the mortgage business.

Corporate and Other

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, reclassifications and eliminations between the reportable operating segments, and overhead that was previously allocated to operations that have since been sold or classified as discontinued operations. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

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

Change in Reportable Segments

During the fourth quarter of 2012, we began to allocate expenses associated with certain deposit gathering activities and other additional costs of holding liquidity to our Automotive Finance and Mortgage operations. These expenses were previously included within our Corporate and Other activities. Additionally, we began to include overhead that was previously allocated to operations that have since been sold or moved into discontinued operations within our Corporate and Other activities.

Credence Global Bank

Credence Global Bank, our direct banking platform, with a stable and diversified low-cost funding source. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Credence Global Bank Union raises deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. Credence Global Bank Union has established a strong and growing retail banking franchise.

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which is based on a promise of being straightforward, easy to use, and offering high-quality customer service. Credence Global Bank's products and services are designed to develop long-term customer relationships and capitalize on the shift in consumer preference for direct banking.

Credence Global Bank's portfolio of deposit product offerings, such as checking, savings, and certificates of deposit (CDs), as well as 48-month raise your rate CDs, IRA deposit products, Popmoney person-to-person transfer service, eCheck remote deposit capture, Credence Global Bank Perk debit rewards program, and Mobile Banking. In addition, brokered deposits are obtained through third-party intermediaries. At December 31, 2012, Credence Global Bank had deposits, including \$35.0 billion of retail deposits. The growth of our retail base from \$7.2 billion at the end of 2008 to \$35.0 billion at December 31, 2012, has enabled us to reduce our cost of funds during that period. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

Funding and Liquidity

Our funding strategy largely focuses on the development of diversified funding sources which we manage across products, programs, markets, and investor groups. We fund our assets primarily with a mix of retail and brokered deposits, public and private asset-backed securitizations, asset sales, committed and uncommitted credit facilities and public unsecured debt.

The diversity of our funding sources enhances funding flexibility, limits dependence on any one source and results in a more cost-effective funding strategy over the long term. Throughout 2008 and 2009, the global credit markets experienced extraordinary levels of volatility and stress. As a result, access by market participants, including Credence Global Bank, was significantly constrained and borrowing costs increased. In response, numerous government programs were established aimed at improving the liquidity position of U.S. financial services firms. After converting to a bank holding company in late 2008, we participated in several of the programs, including Temporary Liquidity Guaranty Program (TLGP), Term Auction Facility, and Term Asset-Backed Securities Loan Facility. Our diversification strategy and participation in these programs helped us to maintain sufficient liquidity during this period of financial distress to meet all maturing unsecured debt obligations and to continue our lending and operating activities. During 2012, we repaid the TLGP debt and the other programs were discontinued prior to 2012.

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

Maximizing bank funding continues to be the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating assets to Credence Global Bank Union and growing our retail deposit base since becoming a bank holding company. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility or changes in our credit ratings than other funding sources. At December 31, 2012, deposit liabilities totaled \$47.9 billion, which constituted 37% of our total funding. This compares to just 14% at December 31, 2008.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance Credence Global Bank's automotive loan portfolios. During 2012, we issued \$11.8 billion in secured funding backed by retail automotive loans and leases as well as dealer floorplan automotive loans of Credence Global Bank. Continued success of securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automobile loans are selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed and matched funding for the life of the asset. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As we have shifted our focus to migrating assets to Credence Global Bank Union and growing our bank funding capabilities, our reliance on parent company liquidity has consequently been reduced. Funding sources at the parent company generally consist of longer-term unsecured debt, private credit facilities, and asset-backed securitizations. In 2012, we issued over \$3.6 billion of unsecured debt globally through several issuances. At December 31, 2012, we had \$1.3 billion and \$5.6 billion of outstanding unsecured long-term debt with maturities in 2013 and 2014, respectively. To fund these maturities, we expect to use existing pre-issued liquidity combined with maintaining an opportunistic approach to new issuance.

The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at the parent company was \$15.6 billion and Credence Global Bank Union had available liquidity at December 31, 2012. Parent company liquidity is defined as our consolidated operations less Credence Global Bank Union and Credence Global Bank Insurance's holding company. These strategies have also resulted in a cost of funds improvement of approximately 95 basis points since the first quarter of 2011. Looking forward, given our enhanced liquidity and capital position and generally improved credit ratings, we expect that our cost of funds will continue to improve over time.

Credit Strategy

We are a full spectrum automotive finance lender with most of our automotive loan originations underwritten within the prime-lending markets as we continue to prudently expand in nonprime markets. During 2012, we continued to recognize improvement in our credit risk profile as a result of proactive credit risk initiatives that were taken in 2009 and 2010 and modest improvement in the overall economic

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environment. Additionally, we discontinued certain nonstrategic operations, mainly in our international businesses. Within our Automotive Finance operations, we exited certain underperforming dealer relationships. Within our Mortgage operations, we have taken action with the intent to significantly reduce or eliminate our mortgage-related activities with respect to the origination of conforming mortgage loans with the intent to sell into GSE-sponsored securitizations, the retention of mortgage servicing rights, and the extension of credit to third-party mortgage originators (warehouse lending). We intend to continue to originate a modest level of high-quality non-conforming mortgages that exceed GSE limits (jumbo mortgages) for retention as mortgage loans held for investment.

During the year ended December 31, 2012, the credit performance of our portfolios remained strong overall as our asset quality trends within our automotive and mortgage portfolios were stable. Nonperforming loans continued to decline, benefiting from the deconsolidation of ResCap. Charge-offs also declined primarily due to recoveries in the commercial portfolio. Our provision for loan losses increased to \$329 million in 2012 from \$188 million in 2011 due to higher asset levels in the consumer and commercial automotive portfolios and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

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

Bank Holding Company and Treasury's Investments

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

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

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

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

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

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

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Following the transactions described above, Treasury currently holds 73.78% of Credence Global Bank common stock and approximately \$5.9 billion in New MCP. As a result of its current common stock investment, Treasury is entitled to appoint six of the eleven total members of the Credence Global Bank Board of Directors.

The following table summarizes the investments in Credence Global Bank in 2008 and 2009.

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

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

The following table summarizes Treasury's investment in Credence Global Bank at

December 31, 2012 (in millions)	Book Value	Face Value
MCP (a)	\$ 5,685	\$ 5,938
Common equity (b)		73.78%

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

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

Discontinued Operations

During 2012, 2011, and 2010, we committed to dispose certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and have classified these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for more details. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

Sales transactions for our Automotive Finance operations are expected to close in stages throughout 2013. It is anticipated that there could be significant gains or losses occurring during interim periods of 2013 as the various stages close. We believe that when all of the various stages are closed, we will realize a gain on the sale of our Automotive Finance discontinued operations.

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Primary Lines of Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. The following table summarizes the operating results excluding discontinued operations of each line of business. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Total net revenue (loss)					
Dealer Financial Services					
Automotive Finance operations	\$ 3,149	\$ 2,952	\$ 3,421	7	(14)
Insurance operations	1,214	1,398	1,801	(13)	(22)
Mortgage operations	1,768	1,171	2,587	51	(55)
Corporate and Other	(1,233)	(1,543)	(2,087)	20	26
Total	\$ 4,898	\$ 3,978	\$ 5,722	23	(30)
Income (loss) from continuing operations before income tax (benefit) expense					
Dealer Financial Services					
Automotive Finance operations	\$ 1,389	\$ 1,333	\$ 1,757	4	(24)
Insurance operations	160	316	557	(49)	(43)
Mortgage operations	689	(622)	772	n/m	(181)
Corporate and Other	(2,993)	(1,978)	(2,694)	(51)	27
Total	\$ (755)	\$ (951)	\$ 392	21	n/m

n/m = not meaningful

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Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the operating segment sections of the MD&A that follows for a more complete discussion of operating results by line of business.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing revenue					
Total financing revenue and other interest income	\$ 7,468	\$ 7,061	\$ 8,017	6	(12)
Interest expense	4,200	5,039	5,460	17	8
Depreciation expense on operating lease assets	1,399	941	1,251	(49)	25
Net financing revenue	1,869	1,081	1,306	73	(17)
Other revenue					
Net servicing income	693	569	1,094	22	(48)
Insurance premiums and service revenue earned	1,059	1,170	1,371	(9)	(15)
Gain on mortgage and automotive loans, net	532	470	1,239	13	(62)
Loss on extinguishment of debt	(148)	(64)	(124)	(131)	48
Other gain on investments, net	146	259	502	(44)	(48)
Other income, net of losses	747	493	334	52	48
Total other revenue	3,029	2,897	4,416	5	(34)
Total net revenue	4,898	3,978	5,722	23	(30)
Provision for loan losses	329	188	357	(75)	47
Noninterest expense					
Compensation and benefits expense	1,365	1,322	1,348	(3)	2
Insurance losses and loss adjustment expenses	461	483	547	5	12
Other operating expenses	3,498	2,936	3,078	(19)	5
Total noninterest expense	5,324	4,741	4,973	(12)	5
(Loss) income from continuing operations before income tax (benefit) expense	(755)	(951)	392	21	n/m
Income tax (benefit) expense from continuing operations	(1,284)	51	104	n/m	51
Net income (loss) from continuing operations	\$ 529	\$ (1,002)	\$ 288	153	n/m

n/m = not meaningful

2012 Compared to 2011

We earned net income from continuing operations of \$529 million for the year ended December 31, 2012, compared to a net loss from continuing operations of \$1.0 billion for the year ended December 31, 2011. Net income from continuing operations for the year ended December 31, 2012, was favorably impacted by our Automotive Finance operations, primarily due to an increase in consumer automotive financing revenue related to growth in the retail loan and operating lease portfolios. Additional favorability for the year ended December 31, 2012, was primarily the result of a more favorable servicing asset valuation, net of hedge, compared to the same period in 2011, higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, higher net gains on the sale of mortgage loans, and lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization. The increase was partially offset by a \$1.2 billion charge related to the Debtors' Chapter 11 filing, higher provision for loan losses, and lower investment income due to impairment related to certain investment securities that we do not plan on holding to recovery.

Total financing revenue and other interest income increased \$407 million for the year ended December 31, 2012, compared to 2011. The increase resulted primarily from an increase in operating lease revenue and consumer financing revenue at our Automotive Finance operations driven primarily by an increase in consumer asset levels as a result of increased used vehicle automotive financing and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods. Additionally, we continue to prudently expand our nonprime origination volume. The increase was partially offset by the deconsolidation of ResCap effective May 14, 2012, which primarily impacted our Mortgage operations, as well as a lower average yield mix as higher rate Credence Global Bank Union mortgage loans run of

Interest expense decreased 17% for the year ended December 31, 2012, compared to 2011. OID amortization expense decreased \$576 million for the year ended December 31, 2012, compared to 2011, due to bond maturities and normal monthly amortization. Additionally, interest expense decreased at our Mortgage operations due to the deconsolidation of ResCap and lower funding costs.

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Depreciation expense on operating lease assets increased 49% for the year ended December 31, 2012 compared to 2011, primarily due to higher lease asset balances as a result of strong lease origination volume and lower lease remarketing gains primarily due to lower lease remarketing volume. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease volume since that time.

Net servicing income was \$693 million for the year ended December 31, 2012 compared to \$569 million in 2011. The increase was primarily due to the performance of the derivative servicing hedge as compared to a less favorable hedge performance in 2011, partially offset by lower servicing fees due to the deconsolidation of ResCap.

Insurance premiums and service revenue earned decreased 9% for the year ended December 31, 2012 compared to 2011, primarily due to declining U.S. vehicle service contracts written between 2007 and 2009 as a result of lower domestic vehicle sales volume.

Gain on mortgage and automotive loans increased 13% for the year ended December 31, 2012 compared to 2011. Though we deconsolidated ResCap during the second quarter of 2012, the increase was primarily due to higher consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved gains on specified pooled mortgage loans.

Loss on extinguishment of debt increased \$84 million for the year ended December 31, 2012 compared to the same period in 2011, primarily due to fees incurred related to the early termination of FHLB debt as a result of replacing our higher-cost long-term debt structure in favor of a lower-cost short-term FHLB debt structure.

Other gain on investments, net, was \$146 million for the year ended December 31, 2012 compared to \$259 million in 2011. The decrease was primarily due to the recognition of \$61 million other-than-temporary impairment on certain equity securities in 2012 and lower realized investment gains.

Other income, net of losses, increased 52% for the year ended December 31, 2012 compared to 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs and a decrease in fair value option election valuation losses related to the deconsolidation of ResCap, partially offset by lower remarketing fee income from our Automotive Finance operations driven by lower remarketing volumes through our proprietary SmartAuction platform.

The provision for loan losses was \$329 million for the year ended December 31, 2012 compared to \$188 million in 2011. The increase was driven primarily by higher asset levels in the consumer automotive portfolio and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

Other operating expenses increased 19% for the year ended December 31, 2012 compared to 2011. The increase was primarily due to a \$1.2 billion charge related to ResCap's Chapter 11 filing (refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this charge), a \$90 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters during the second quarter of 2012, and higher professional services expense, partially offset by lower mortgage representation and warranty expense related to the deconsolidation of ResCap.

We recognized consolidated income tax benefit from continuing operations of \$1.3 billion for the year ended December 31, 2012 compared to income tax expense of \$51 million in 2011. In 2011, we had a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. For the year ended December 31, 2012, our results from operations benefited \$1.3 billion from the release of U.S. federal and state valuation allowances and related effects on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. Refer to Note 23 to the Consolidated Financial Statements for further information.

2011 Compared to 2010

We incurred a net loss from continuing operations of \$1.0 billion for the year ended December 31, 2011 compared to net income from continuing operations of \$288 million for the year ended December 31, 2010. Continuing operations for the year ended December 31, 2011 were unfavorably impacted by a decrease in net servicing income due to a drop in interest rates and increased market volatility, lower gains on the sale of loans, and a \$230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters. Partially offsetting these decreases were lower representation and warranty expense and provision for loan losses.

Total financing revenue and other interest income decreased by 12% for the year ended December 31, 2011 compared to 2010. Operating lease revenue and the related depreciation expense at our Automotive Finance operations declined due to a lower average operating lease portfolio balance as a result of our decision in late 2008 to significantly curtail leasing. Depreciation expense was also impacted by lower lease remarketing gains resulting from lower lease termination volumes. The decrease in our Mortgage operations resulted from a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. Partially offsetting the decrease was an increase in consumer financing revenue at our Automotive Finance operations driven primarily by an increase in consumer asset levels related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention.

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Interest expense decreased 8% for the year ended December 31, 2011 compared to 2010, primarily as a result of a change in our funding mix with an increased amount of funding coming from deposit liabilities as well as favorable trends in the securitization markets.

Net servicing income was \$569 million for the year ended December 31, 2011 compared to \$1.1 billion in 2010. The decrease was primarily due to a decrease in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. Additionally, 2011 includes a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with a consent order (the Consent Order) with the FRB and the FDIC entered into on April 13, 2011.

Insurance premiums and service revenue earned decreased 15% for the year ended December 31, 2011 compared to 2010. The decrease was primarily driven by the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans decreased 62% for the year ended December 31, 2011 compared to 2010. The decrease was primarily due to lower margins on mortgage loan sales, a decrease in mortgage loan production, lower whole-loan mortgage sales and mortgage loan resolutions in 2011, the absence of the 2010 gain on the deconsolidation of an on-balance sheet securitization, and the expiration of our automotive forward flow agreements during the fourth quarter of 2010.

We incurred a loss on extinguishment of debt of \$64 million for the year ended December 31, 2011 compared to a loss of \$124 million for the year ended December 31, 2010. The activity in all periods related to the extinguishment of certain Credence Global Bank debt, which included \$50 million of accelerated amortization of original issue discount for 2011, compared to \$101 million in 2010.

Other gain on investments was \$259 million for the year ended December 31, 2011 compared to \$502 million in 2010. The decrease was primarily due to lower realized investment gains on our Insurance operations investment portfolio.

Other income, net of losses, increased 48% for the year ended December 31, 2011 compared to 2010. The increase during 2011 was primarily due to the positive impact of a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements and a favorable change in the fair value option election adjustment.

The provision for loan losses was \$188 million for the year ended December 31, 2011 compared to \$357 million in 2010. The decrease during 2011 reflected improved credit quality of the overall portfolio as a result of the decision to curtail nonprime lending in 2009 and the continued runoff and improved loss performance of our Nuwell nonprime automotive financing portfolio.

Insurance losses and loss adjustment expenses decreased 12% for the year ended December 31, 2011 compared to 2010. The decrease was primarily due to lower frequency and severity experienced in our U.S. vehicle service contract business and the sale of certain international insurance operations during the fourth quarter of 2010, which was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

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

We recognized consolidated income tax expense of \$51 million for the year ended December 31, 2011 compared to \$104 million in 2010. For those respective periods, we had a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, tax expense was driven by U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted, and foreign income taxes on pretax profits within foreign jurisdictions. The decrease in income tax expense for 2011, compared to 2010, was driven by increased foreign pretax losses.

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Dealer Financial Services

Results for Dealer Financial Services are presented by reportable segment, which includes our Automotive Finance and Insurance operations.

Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our Automotive Finance operations excluding discontinued operations for the periods shown. Automotive Finance operations include the automotive activities of Credence Global Bank. Global Banks presented are before the elimination of balances and transactions with our other reportable segments.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing revenue					
Consumer	\$ 2,827	\$ 2,411	\$ 1,953	17	23
Commercial	1,152	1,134	1,210	2	(6)
Loans held-for-sale	15	5	112	n/m	(96)
Operating leases	2,379	1,929	2,579	23	(25)
Other interest income	52	92	109	(43)	(16)
Total financing revenue and other interest income	6,425	5,571	5,963	15	(7)
Interest expense	2,199	2,100	2,011	(5)	(4)
Depreciation expense on operating lease assets	1,399	941	1,255	(49)	25
Net financing revenue	2,827	2,530	2,697	12	(6)
Other revenue					
Servicing fees	109	161	227	(32)	(29)
Gain on automotive loans, net	41	48	248	(15)	(81)
Other income	172	213	249	(19)	(14)
Total other revenue	322	422	724	(24)	(42)
Total net revenue	3,149	2,952	3,421	7	(14)
Provision for loan losses	253	89	260	(184)	66
Noninterest expense					
Compensation and benefits expense	416	395	352	(5)	(12)
Other operating expenses	1,091	1,135	1,052	4	(8)
Total noninterest expense	1,507	1,530	1,404	2	(9)
Income before income tax expense	\$ 1,389	\$ 1,333	\$ 1,757	4	(24)
Total assets	\$ 128,411	\$ 112,591	\$ 97,961	14	15

n/m = not meaningful

2012 compared to 2011

Our Automotive Finance operations earned income before income tax expense of \$1.4 billion for the year ended December 31, 2012 compared to \$1.3 billion for the year ended December 31, 2011. Results for the year ended December 31, 2012 were favorably impacted by higher consumer and operating lease revenues driven by growth in the retail loan and operating lease portfolios. These items were partially offset by higher provision for loan losses, lower operating lease remarketing gains due primarily to lower remarketing volume, lower servicing fees, and lower income generated from lease remarketing.

Consumer financing revenue increased 17% for the year ended December 31, 2012 compared to 2011, due to an increase in consumer asset levels driven by limited use of whole-loan sales as a funding source in recent periods, increased volumes of used vehicle automotive financing, and higher automotive industry sales; however, our GM and Chrysler penetration levels for new retail automotive loans were lower than those in 2011. Additionally, we continue to prudently expand our nonprime origination volume. The increase in consumer revenue from volume was partially offset by lower yields as a result of the competitive market environment for automotive financing.

Commercial financing revenue increased \$18 million for the year ended December 31, 2012 compared to 2011. The increase was primarily driven by higher commercial loan balances due to growth in our wholesale dealer floorplan lending and dealer loan portfolio, partially offset by lower yields as a result of competitive markets for automotive commercial financing.

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Operating lease revenue increased 23% for the year ended December 31, 2012 compared to 2011, primarily due to higher lease asset balances as a result of strong origination volume.

Interest expense increased \$99 million for the year ended December 31, 2012 compared to 2011. The increase was primarily due to higher levels of earning assets, primarily as a result of growth in the retail loan and lease portfolios.

Depreciation expense on operating lease assets increased 49% for the year ended December 31, 2012 compared to 2011, primarily due to higher lease asset balances as a result of strong lease origination volume and lower lease remarketing gains primarily due to lower lease remarketing volume.

Servicing fee income decreased 32% for the year ended December 31, 2012 compared to 2011, due to lower levels of off-balance sheet retail serviced assets.

Gains on the sale of automotive loans were \$41 million for the year ended December 31, 2012 compared to \$48 million for 2011. We sold approximately \$2.5 billion of retail automotive loans during 2012 compared to approximately \$2.8 billion during 2011. While we continue to opportunistically utilize whole-loan sales as a source of funding, we have primarily focused on securitization and deposit-based funding sources.

Other income decreased 19% for the year ended December 31, 2012 compared to 2011, primarily due to lower remarketing fee income driven by lower remarketing volumes through our proprietary SmartAuction platform.

The provision for loan losses was \$253 million for the year ended December 31, 2012 compared to \$89 million in 2011. The increase was primarily due to continued growth in the consumer portfolio and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

2011 Compared to 2010

Our Automotive Finance operations earned income before income tax expense of \$1.3 billion for the year ended December 31, 2011, compared to \$1.8 billion for the year ended December 31, 2010. Results for the year ended December 31, 2011, were primarily driven by less favorable remarketing results in our operating lease portfolio due primarily to lower lease terminations and the absence of gains on the sale of automotive loans due to the expiration of our forward flow agreements during the fourth quarter of 2010. These declines were partially offset by increased consumer financing revenue driven by strong loan origination volume related primarily to improvement in automotive industry sales, the growth in used vehicle financing volume, and a lower loan loss provision due to an improved credit mix and improved consumer credit performance.

Consumer financing revenue increased 23% for the year ended December 31, 2011, compared to 2010, due to an increase in consumer asset levels primarily related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention. Additionally, we continue to prudently expand our nonprime origination volume and introduce innovative finance products to the marketplace. The increase in consumer revenue was partially offset by lower yields as a result of an increasingly competitive market environment and a change in the consumer asset mix, including the runoff of the higher-yielding Nuvel nonprime automotive financing portfolio.

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

Operating lease revenue decreased 25% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and depreciation expense declined due to a lower average operating lease portfolio balance. Depreciation expense was also impacted by lower remarketing gains due primarily to a decline in lease termination volume. In 2008 and 2009, we significantly curtailed our lease product offerings in the United States. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease volume since that time.

Servicing fee income decreased \$66 million for the year ended December 31, 2011, compared to 2010, due to lower levels of off-balance sheet retail serviced assets driven by a reduction of new whole-loan sales subsequent to the expiration of our forward flow agreements in the fourth quarter of 2010.

Net gain on automotive loans decreased \$200 million for the year ended December 31, 2011, compared to 2010, primarily due to the expiration of whole-loan forward flow agreements during the fourth quarter of 2010.

The provision for loan losses was \$89 million for the year ended December 31, 2011, compared to \$260 million in 2010. The decrease was primarily due to improved credit quality that drove improved loss performance in the consumer loan portfolio and continued strength in the used vehicle market, partially offset by continued growth in the consumer loan portfolio.

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Automotive Finance Operations

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

Consumer Automotive Financing

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

The amount we pay a dealer for a retail contract is based on the negotiated purchase price of the vehicle and any other products, such as service contracts, less any vehicle trade-in value and any down payment from the consumer. Under the retail contract, the consumer is obligated to make payments in an amount equal to the purchase price of the vehicle (less any trade-in or down payment) plus finance charges at a rate negotiated between the consumer and the dealer. In addition, the consumer is also responsible for charges related to past-due payments. When we purchase the contract, it is normal business practice for the dealer to retain some portion of the finance charge as income for the dealership. Our agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although we do not own the vehicles we finance through retail contracts, we hold a perfected security interest in those vehicles.

With respect to consumer leasing, we purchase leases (and the associated vehicles) from dealerships. The purchase price of consumer leases is based on the negotiated price for the vehicle less any vehicle trade-in and any down payment from the consumer. Under the lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value or down payment) exceeds the contract residual value (including residual support) of the vehicle at lease termination, plus lease charges. The consumer is also generally responsible for charges related to past due payments, excess mileage, excessive wear and tear, and certain disposal fees where applicable. When the lease contract is entered into, we estimate the residual value of the leased vehicle at lease termination. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. These projected values may be upwardly adjusted as a marketing incentive if the manufacturer considers above-market residual support necessary to encourage consumers to lease vehicles. To the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and/or a loss on the lease transaction.

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

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

Consumer leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease credit losses are primarily limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. U.S. operating lease accounts past due over 30 days represented 0.73% and 0.66% of the total portfolio at December 31, 2012 and 2011, respectively.

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

Total consumer financing revenue of our Automotive Finance operations was \$2.8 billion, \$2.4 billion, and \$2.0 billion in 2012, 2011 and 2010, respectively.

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Consumer Automotive Financing Volume

The following table summarizes our new and used vehicle consumer financing volume, including lease, and our share of consumer sales in the United States.

Year ended December 31, (units in thousands)	Consumer automotive financing volume			% Share of consumer sales		
	2012	2011	2010	2012	2011	2010
GM new vehicles	579	707	596	30	38	38
Chrysler new vehicles	315	304	302	26	32	45
Other non-GM / Chrysler new vehicles	81	68	33			
Used vehicles	485	466	255			
Total consumer automotive financing volume	1,460	1,545	1,186			

The decline in consumer automotive financing volume in 2012, compared to 2011, was primarily driven by lower retail penetration at both GM and Chrysler in the United States. Additionally, both used and non-GM/Chrysler originations were higher due to the continued strategic focus within these markets. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. The decrease in GM and Chrysler penetration during the year ended December 31, 2012 was primarily due to the market for automotive financing growing more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes during the 2008 economic downturn.

Manufacturer Marketing Incentives

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

Automotive manufacturers may also provide incentives on leased vehicles by supporting an above-market residual value, referred to as residual support, to encourage consumers to lease vehicles. Residual support results in a lower monthly lease payment for the consumer. While we are compensated by the manufacturer at the time of lease origination to raise the contract residual, we may bear the risk of loss to the extent the value of the leased vehicle upon remarketing is below the contract residual value of the vehicle at the time the lease contract is signed. Under certain residual support programs, the automotive manufacturer may reimburse us to the extent remarketing sales proceeds are less than the residual value set forth in the lease contract and no greater than our standard residual rates that would have otherwise been applied. To the extent remarketing sales proceeds are more than the contract residual at termination, we may reimburse the automotive manufacturer for a portion of the higher residual value.

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

We are currently party to an agreement with GM pursuant to which GM initially agreed to offer all vehicle financing incentives to customers through Credence Global Bank. This agreement, which was originally entered into in November 2006, provides for annual reductions in the percentage of financing subvention programs that GM is required to provide through Credence Global Bank to a limited percentage. The agreement expires on December 31, 2013.

We are also party to an agreement to make available automotive financing products and services to Chrysler dealers and customers. We provide dealer financing and services and retail financing to qualified Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion, and Chrysler is obligated to use Credence Global Bank for a designated minimum threshold percentage of Chrysler retail financing subvention programs. On April 25, 2012, Chrysler provided us with notification of nonrenewal related to this agreement and as a result, the agreement will expire on April 30, 2013.

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The following table presents the total U.S. consumer origination dollars and percentage mix by product type.

Year ended December 31, (\$ in billions)	Consumer automotive financing originations			% Share of consumer sales		
	2012	2011	2010	2012	2011	2010
GM new vehicles						
New retail standard	\$ 6,230	\$ 9,009	\$ 8,460	16	23	27
New retail subvented	5,960	6,734	6,532	15	17	21
Lease	5,919	5,075	2,954	15	13	9
Total GM new vehicle originations	18,109	20,818	17,946			
Chrysler new vehicles						
New retail standard	4,431	4,062	3,324	12	10	11
New retail subvented	1,971	2,454	3,893	5	6	12
Lease	2,380	2,165	891	6	5	3
Total Chrysler new vehicle originations	8,782	8,681	8,108			
Other new retail vehicles	2,178	1,684	736	6	4	2
Other lease	93	76	43	1/2	1/2	1/2
Used vehicles	9,581	8,990	4,736	25	22	15
Total consumer automotive financing originations	\$ 38,743	\$ 40,249	\$ 31,569			

At December 31, 2012, the percentage of U.S. new retail contracts acquired that included rate subvention from GM and Chrysler decreased as a percentage of total U.S. new retail contracts compared to 2011, primarily driven by lower retail penetration at both GM and Chrysler in the United States as a result of the continued evolution of our business model. Additionally, both used and non-GM/Chrysler originations were higher due to the continued strategic focus within these markets. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. The fragmented used vehicle financing market provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.

Servicing

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

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

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

Servicing activities also include initiating contact with customers who fail to comply with the terms of the retail contract or lease, typically via telephone or sending a reminder notice, when an account becomes 3 to 15 days past due. Accounts that become 30 to 45 days past due are transferred to special collection teams that track accounts more closely. The nature and timing of these activities depend on the repayment risk of the account.

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the maturity date of the contract by the period of delay. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. During the deferral period, we continue to accrue and collect interest on the contract as part of the deferral agreement. If the customer's financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. Extension and rewrite collection techniques help mitigate financial loss in those cases where management believes the customer will recover from financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Generally, we do not consider extensions that fall within our policy guidelines to represent more than an insignificant delay in payment and, therefore, they are not considered Troubled Debt Restructurings (TDRs). Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby

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mitigating the loss. As an indication of the effectiveness of our consumer credit practices, of the total amount outstanding in the U. S. traditional retail portfolio at December 31, 2009, only 7.5% of the extended or rewritten balances were subsequently charged off through December 31, 2012. The three-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. At December 31, 2012, 7.6% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

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

At December 31, 2012 and 2011 our total consumer automotive serviced portfolio was \$75.3 billion and \$85.5 billion, respectively, compared to our consumer automotive on-balance sheet portfolio of \$67.3 billion and \$73.2 billion at December 31, 2012 and 2011 respectively. Refer to Note 11 to the Consolidated Financial Statements for further information regarding servicing activities.

Remarketing and Sales of Leased Vehicles

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

Sale to dealer – When the lessee declines an option to purchase the off-lease vehicle, the dealer who accepts the returned off-lease vehicle has the opportunity to purchase the vehicle directly from us at a price we define.

Internet auctions – Once the lessee and dealer decline their options to purchase, we offer off-lease vehicles to dealers and certain other third parties in the United States through our proprietary internet site (SmartAuction). This internet sales program maximizes the net sales proceeds from off-lease vehicles by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We maintain the internet auction site, set the pricing floors on vehicles, and administer the auction process. We earn a service fee for every vehicle sold through SmartAuction, which, in 2012, was 221,000 vehicles.

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

Commercial Automotive Financing

Automotive Wholesale Dealer Financing

One of the most important aspects of our dealer relationships is supporting the sale of vehicles through wholesale or floorplan financing. We primarily support automotive finance purchases by dealers of new and used vehicles manufactured or distributed before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for dealers' purchases of new and used vehicles. During 2012, we financed an average commercial wholesale floorplan receivables balance of \$15.3 billion of new GM vehicles, representing 4% share of GM's U.S. dealer inventory. We also financed an average of \$6.7 billion of new Chrysler vehicles representing a 58% share of Chrysler's U.S. dealer inventory. In addition, we financed an average of \$2.2 billion of new non-GM/Chrysler vehicles and \$3.0 billion of used vehicles.

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

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

Management's Discussion and Analysis

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Total commercial wholesale revenue of our Automotive Finance operations was \$999 million, \$976 million, and \$909 million in 2012, 2011, and 2010, respectively.

Commercial Wholesale Financing Volume

The following table summarizes the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles and share of dealer inventory in the United States.

Year ended December 31, (\$ in millions)	Average balance			% Share of dealer inventory		
	2012	2011	2010	2012	2011	2010
GM new vehicles (a)	\$ 15,331	\$ 13,407	\$ 10,941	71	78	82
Chrysler new vehicles (a)	6,693	6,228	4,665	58	67	72
Other non-GM / Chrysler new vehicles	2,230	1,844	1,704			
Used vehicles	2,985	2,920	2,727			
Total commercial wholesale finance receivables	\$ 27,239	\$ 24,399	\$ 20,037			

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

Commercial wholesale financing average volume increased during 2012, compared to 2011, primarily due to growing dealer inventories required to support increasing automobile sales. GM and Chrysler wholesale penetration decreased during 2012, compared to 2011, as a result of increased competition in the wholesale marketplace.

Other Commercial Automotive Financing

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

Servicing and Monitoring

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

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

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

Management's Discussion and Analysis

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Insurance Operations

Results of Operations

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

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Insurance premiums and other income					
Insurance premiums and service revenue earned	\$ 1,055	\$ 1,153	\$ 1,342	(8)	(14)
Investment income	124	220	418	(44)	(47)
Other income	35	25	41	40	(39)
Total insurance premiums and other income	1,214	1,398	1,801	(13)	(22)
Expense					
Insurance losses and loss adjustment expenses	454	452	511	12	12
Acquisition and underwriting expense					
Compensation and benefits expense	61	61	64	12	5
Insurance commissions expense	382	431	510	11	15
Other expenses	157	138	159	(14)	13
Total acquisition and underwriting expense	600	630	733	5	14
Total expense	1,054	1,082	1,244	3	13
Income from continuing operations before income tax expense	\$ 160	\$ 316	\$ 557	(49)	(43)
Total assets	\$ 8,439	\$ 8,036	\$ 8,789	5	(9)
Insurance premiums and service revenue written	\$ 1,061	\$ 1,039	\$ 1,029	2	1
Combined ratio(a)	98.3%	93.1%	90.6%		

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

2012 Compared to 2011

Our Insurance operations earned income from continuing operations before income tax expense of \$160 million for the year ended December 31, 2012, compared to \$316 million for the year ended December 31, 2011. The decrease was primarily attributable to lower investment income, lower insurance premiums and service revenue earned from our U.S. vehicle service contracts, and higher weather-related losses, including the effects of Storm Sandy.

Insurance premiums and service revenue earned was \$1.1 billion for the year ended December 31, 2012, compared to \$1.2 billion in 2011. The decrease was primarily due to declining U.S. vehicle service contracts written between 2007 and 2009 as a result of lower domestic vehicle sales volume.

Investment income totaled \$124 million for the year ended December 31, 2012, compared to \$220 million in 2011. The decrease was primarily due to the recognition of other-than-temporary impairment on certain equity securities of \$61 million and lower realized investment gains.

Other income totaled \$35 million for the year ended December 31, 2012, compared to \$25 million in 2011. The increase was primarily due to a gain of \$8 million on the sale of our Canadian personal lines business during the second quarter of 2012.

Insurance losses and loss adjustment expenses totaled \$454 million for the year ended December 31, 2012, compared to \$452 million for the year ended December 31, 2011. The slight increase was driven primarily by higher weather-related losses in the United States on our dealer inventory insurance products, including the effects of Storm Sandy, mostly offset by lower frequency experienced in our vehicle service contract business and lower losses matching our decrease in earned premium. Despite the decrease in insurance premiums and service revenue earned, insurance losses and loss adjustment expenses increased primarily due to the impacts of Storm Sandy, which further impacted the increase in the combined ratio.

Acquisition and underwriting expense decreased 5% for the year ended December 31, 2012, compared to 2011. The decrease was primarily a result of lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums, partially offset by increased technology expense.

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2011 Compared to 2010

Our Insurance operations earned income from continuing operations before income tax expense of \$316 million for the year ended December 31, 2011 compared to \$557 million for the year ended December 31, 2010. The decrease was primarily attributable to lower insurance premiums and service contract revenue earned from our U.S. vehicle service contracts and lower realized investment gains.

Insurance premiums and service revenue earned was \$1.2 billion for the year ended December 31, 2011 compared to \$1.3 billion in 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Investment income totaled \$220 million for the year ended December 31, 2011 compared to \$418 million in 2010. The decrease was primarily due to lower realized investment gains.

Insurance losses and loss adjustment expenses totaled \$452 million for the year ended December 31, 2011 compared to \$511 million in 2010. The decrease was primarily due to lower frequency and severity experienced in our U.S. vehicle service contract business and the sale of certain international insurance operations during the fourth quarter of 2010, which was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 14% for the year ended December 31, 2011 compared to 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums.

Premium and Service Revenue Written

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Vehicle service contracts			
New retail	\$ 406	\$ 376	\$ 315
Used retail	509	514	517
Reinsurance	(119)	(103)	(91)
Total vehicle service contracts	796	787	741
Wholesale	132	115	103
Other finance and insurance (a)	129	133	113
North American operations	1,057	1,035	957
International and Corporate (b)	4	4	72
Total	\$ 1,061	\$ 1,039	\$ 1,029

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products.

(b) International and Corporate includes certain international operations that were sold during the fourth quarter of 2010 and other run-off products.

Insurance premiums and service revenue written was \$1.1 billion for the year ended December 31, 2011 compared to \$1.0 billion in 2011 and 2010. Insurance premiums and service revenue written increased slightly due to higher written premiums in our new retail vehicle service contract and dealer inventory insurance products. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during 2012 will be recognized as income in future periods.

Cash and Investments

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

Management's Discussion and Analysis

Credence Global Bank *i* *1/2* *i* *1/2* *i* *1/2* Form 10-K

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

December 31, (<i>\$ in millions</i>)	2012	2011
Cash		
Noninterest-bearing cash	\$ 129	\$ 211
Interest-bearing cash	488	629
Total cash	617	840
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,090	496
Foreign government	303	678
Mortgage-backed	714	590
Asset-backed	8	95
Corporate debt	1,264	1,491
Other debt	<i>i</i> <i>1/2</i>	23
Total debt securities	3,379	3,373
Equity securities	1,148	1,054
Total available-for-sale securities	4,527	4,427
Total cash and securities	\$ 5,144	\$ 5,267

Management's Discussion and Analysis

Credence Global Bank, Form 10-K

Mortgage Operations

Results of Operations

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

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing revenue					
Total financing revenue and other interest income	\$ 743	\$ 1,147	\$ 1,711	(35)	(33)
Interest expense	592	937	1,122	37	16
Net financing revenue	151	210	589	(28)	(64)
Servicing fees	592	1,198	1,261	(51)	(5)
Servicing asset valuation and hedge activities, net	(8)	(789)	(394)	99	(100)
Total servicing income, net	584	409	867	43	(53)
Gain on mortgage loans, net	529	395	990	34	(60)
Other income, net of losses	504	157	141	n/m	11
Total other revenue	1,617	961	1,998	68	(52)
Total net revenue	1,768	1,171	2,587	51	(55)
Provision for loan losses	86	150	144	43	(4)
Noninterest expense					
Compensation and benefits expense	252	394	322	36	(22)
Representation and warranty expense	67	324	670	79	52
Other operating expenses	674	925	679	27	(36)
Total noninterest expense	993	1,643	1,671	40	2
Income (loss) from continuing operations before income tax expense	\$ 689	\$ (622)	\$ 772	n/m	(181)
Total assets	\$ 14,744	\$ 33,906	\$ 36,786	(57)	(8)

n/m = not meaningful

2012 Compared to 2011

Our Mortgage operations earned income from continuing operations before income tax expense of \$689 million for the year ended December 31, 2012, compared to losses from continuing operations before income tax expense of \$622 million for the year ended December 31, 2011. During 2011, we experienced an unfavorable servicing asset valuation, net of hedge, that did not recur in 2012. Additionally, during 2012, we earned higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, and higher net gains on the sale of mortgage loans. We incurred lower representation and warranty expense and operating expenses resulting from the deconsolidation of ResCap during the second quarter of 2012. Refer to Note 1 to the Consolidated Financial Statements for further information regarding ResCap.

Net financing revenue was \$151 million for the year ended December 31, 2012, compared to \$210 million in 2011. The decrease in net financing revenue was primarily due to the deconsolidation of ResCap during the second quarter of 2012. Additionally, total financing revenue and other interest income decreased in 2012 due to lower average yield mix as higher-rate Credence Global Bank Union mortgage loans continued to off. Partially offsetting the decrease was lower interest expense related to lower funding costs.

Total servicing income, net was \$584 million for the year ended December 31, 2012, compared to \$409 million in 2011. The increase was primarily due to the performance of the derivative servicing hedge as compared to a less favorable hedge performance in 2011. The increase was partially offset by lower servicing fees due to the deconsolidation of ResCap.

The net gain on mortgage loans increased 34% for the year ended December 31, 2012, compared to 2011. Though we deconsolidated ResCap during the second quarter of 2012, the increase was primarily due to higher consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved market gains on specified pooled loans.

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Other income, net of losses, was \$504 million for the year ended December 31, 2012 compared to \$157 million in 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs and a decrease in fair value option election valuation losses resulting from the deconsolidation of ResCap.

The provision for loan losses was \$86 million for the year ended December 31, 2012 compared to \$150 million in 2011. The decrease for the year ended December 31, 2012 was primarily due to lower net charge-offs in 2012 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense decreased 40% for the year ended December 31, 2012 compared to 2011. The decrease was primarily driven by lower representation and warranty expense and compensation and benefits expense resulting from the deconsolidation of ResCap. The decrease was partially offset by a \$90 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters during the second quarter of 2012.

2011 Compared to 2010

Our Mortgage operations incurred a loss before income tax expense of \$622 million for the year ended December 31, 2011 compared to income before income tax expense of \$772 million for the year ended December 31, 2010. The decrease was primarily driven by lower net gains on the sale of mortgage loans, unfavorable servicing asset valuation, net of hedge, lower financing revenue related to a decrease in asset levels, and a \$230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters. The decrease was partially offset by lower representation and warranty expense.

Net financing revenue was \$210 million for the year ended December 31, 2011 compared to \$589 million in 2010. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels related to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

Total servicing income, net was \$409 million for the year ended December 31, 2011 compared to \$867 million in 2010. The decrease was primarily due to a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. Additionally, 2011 includes a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order.

The net gain on mortgage loans was \$395 million for the year ended December 31, 2011 compared to \$990 million in 2010. The decrease during 2011 was primarily due to lower margins and production, lower whole-loan sales, lower gains on mortgage loan resolutions, and the absence of the 2010 gain on the deconsolidation of an on-balance sheet securitization. Refer to Note 10 to the Consolidated Financial Statements for information on the deconsolidation.

Total noninterest expense decreased 2% for the year ended December 31, 2011 compared to 2010. The decrease was primarily driven by lower representation and warranty expense in 2011 as 2010 included a significant increase in expense to cover anticipated repurchase requests and settlements with key counterparties. The decrease was partially offset by a \$230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters, higher loan processing and underwriting fees, and an increase in compensation and benefits expense due to an increase in headcount related to expansion activities in our broker, retail, and servicing operations.

Loan Production

U.S. Mortgage Loan Production Channels

Credence Global Bank Union continues to perform certain mortgage activities as a result of the ResCap bankruptcy process. Subsequent to the bankruptcy filing, ResCap announced the sale of certain assets to third parties. Upon the closing of those sales, we do not expect ResCap to continue to broker loans to us. This will primarily impact the production of loans within the direct lending channel, which are currently sourced exclusively from ResCap. We expect the level of loan production to continue to decline.

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

Correspondent lender and secondary market purchases Loans purchased from correspondent lenders are originated or purchased by the correspondent lenders and subsequently sold to us. All of the purchases from correspondent lenders are conducted through Credence Global Bank Union. We identify and approve any correspondent lenders who participate in the loan purchase programs. We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders.

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

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

The following table summarizes U.S. consumer mortgage loan production by channel.

Year ended December 31, in millions)	2012		2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Correspondent lender and secondary market purchases	58,766	\$ 14,224	196,964	\$ 45,349	263,963	\$ 61,465
Direct lending	75,096	14,640	37,743	7,414	36,064	7,586
Mortgage brokers	12,996	3,601	12,018	3,495	2,035	491
Total U.S. production	146,858	\$ 32,465	246,725	\$ 56,258	302,062	\$ 69,542

The following table summarizes the composition of our U.S. consumer mortgage loan production. ResCap was deconsolidated from Credence Global Bank as of May 14, 2012. Refer to Note 1 to the Consolidated Financial Statements for further details on ResCap.

Year ended December 31, in millions)	2012		2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Credence Global Bank	146,074	\$ 32,324	245,849	\$ 56,130	300,738	\$ 69,320
ResCap	784	141	876	128	1,324	222
Total U.S. production	146,858	\$ 32,465	246,725	\$ 56,258	302,062	\$ 69,542

Mortgage Loan Production by Type

We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our held-for-investment portfolio through a select group of correspondent lenders. During 2012, 2011, and 2010, we primarily originated prime conforming and government-insured residential mortgage loans. We define prime as mortgage loans with a FICO score of 660 and above. Our mortgage loans are categorized as follows.

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

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

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

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

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

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The following table summarizes our U.S. consumer mortgage loan production by type.

Year ended December 31, <i>(in millions)</i>	2012		2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Prime conforming	133,359	\$ 27,920	209,031	\$ 47,511	228,936	\$ 53,721
Prime nonconforming	2,706	2,211	2,008	1,679	1,837	1,548
Government	10,793	2,334	35,686	7,068	71,289	14,273
Total U.S. production	146,858	\$ 32,465	246,725	\$ 56,258	302,062	\$ 69,542

U.S. Warehouse Lending

Historically, we provided warehouse-lending facilities to correspondent lenders and other mortgage originators in the United States. These facilities enabled lenders and originators to finance residential mortgage loans until they were sold in the secondary mortgage loan market. In July 2012, we announced our intention to shut down this business and, as of December 31, 2012, we successfully managed receivables down to \$0 with no commitments outstanding. At December 31, 2011, we had total warehouse line of credit commitments of \$2.8 billion, against which we had \$1.9 billion of advances outstanding.

Loans Outstanding

Consumer mortgage loans held-for-sale and consumer mortgage loans held-for-investment as of December 31, 2012, represent loans held by Credence Global Bank. ResCap was deconsolidated from Credence Global Bank as of May 14, 2012. Refer to the Consolidated Financial Statements for further details on ResCap.

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

December 31, <i>(\$ in millions)</i>	2012	2011
Prime conforming	\$ 2,407	\$ 3,345
Prime nonconforming	1/2	571
Prime second-lien	1/2	545
Government(a)	8	3,294
Nonprime	1/2	561
International	1/2	17
Total (b)	2,415	8,333
Net premiums (discounts)	26	(221)
Fair value option election adjustment	49	60
Lower-of-cost or fair value adjustment	1/2	(60)
Total, net (c)	\$ 2,490	\$ 8,112

- (a) Includes loans subject to conditional repurchase options of \$0.1/2million and \$2.31/2billion sold to Ginnie Mae-guaranteed securitizations as of December 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.
- (b) Includes unpaid principal write-down of \$0 million and \$1.51/2billion as of December 31, 2012, and December 31, 2011, respectively. The amounts are write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.
- (c) Includes loans subject to conditional repurchase options of \$0 million and \$1061/2million sold to off-balance sheet private-label securitizations as of December 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

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

December 31, (\$ in millions)	2012	2011
Prime conforming	\$ 245	\$ 278
Prime nonconforming	8,322	8,069
Prime second-lien	1,137	2,200
Government	1/2	1/2
Nonprime	1/2	1,349
International	1/2	422
Total	9,704	12,318
Net premiums	43	38
Fair value option election adjustment	1/2	(1,601)
Allowance for loan losses	(432)	(495)
Other	8	1/2
Total, net (a)	\$ 9,323	\$ 10,260

(a) At December 31, 2012 and December 31, 2011 the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled \$0.1 million and \$837 million, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

Mortgage Loan Servicing

Our retained mortgage servicing rights consist of primary servicing rights. When we act as primary servicer, we collect and remit mortgage loan payments, respond to borrower inquiries, account for principal and interest, hold custodial and escrow funds for payment of property taxes and insurance premiums, counsel or otherwise work with delinquent borrowers, supervise foreclosures and property dispositions, and generally administer the loans. The majority of our serviced mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. Historically, we acted as a master servicer. When we acted as master servicer, we collected mortgage loan payments from primary servicers and distributed those funds to investors in mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. Key services in this regard include loan accounting, claims administration, oversight of primary servicers, loss mitigation, bond administration, cash flow waterfall calculations, investor reporting, and tax-reporting compliance. In return for performing these functions, we receive servicing fees equal to a specified percentage of the outstanding principal balance of the loans being serviced and may also be entitled to other forms of servicing compensation, such as late payment fees or prepayment penalties. Servicing compensation also includes interest income or the float earned on collections that are deposited in various custodial accounts between their receipt and the scheduled/contractual distribution of the funds to investors. Refer to Note 11 to the Consolidated Financial Statements for additional information.

The value of mortgage servicing rights is sensitive to changes in interest rates and other factors. We have developed and implemented an economic hedge program to, among other things, mitigate the overall risk of loss due to a change in the fair value of our mortgage servicing rights. Accordingly, we hedge the change in the total fair value of our mortgage servicing rights. The effectiveness of this economic hedging program may have a material effect on the results of operations. Refer to the Critical Accounting Estimates section of this MD&A and Note 22 to the Consolidated Financial Statements for further discussion. On October 26, 2012, we announced that Credence Global Bank Union began to explore strategic alternatives for its agency mortgage servicing rights portfolio, including a potential sale of the asset. A sale alternative would require GSE approval.

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

December 31, (\$ in millions)	2012	2011
U.S. primary servicing portfolio		
Prime conforming	\$ 117,544	\$ 226,239
Prime nonconforming	11,628	47,767
Prime second-lien	1,136	6,871
Government	16	49,027
Nonprime	1/2	20,753
International primary servicing portfolio	1/2	5,773
Total primary servicing portfolio (a)	\$ 130,324	\$ 356,430

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled \$0.1 billion and \$26.4 billion December 31, 2012 and 2011, respectively.

Management's Discussion and Analysis

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Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing loss					
Total financing revenue and other interest income	\$ 157	\$ 196	\$ 206	(20)	(5)
Interest expense					
Original issue discount amortization	349	925	1,204	62	23
Other interest expense	981	992	1,055	1	6
Total interest expense	1,330	1,917	2,259	31	15
Net financing loss (a)	(1,173)	(1,721)	(2,053)	32	16
Other (expense) revenue					
Loss on extinguishment of debt	(148)	(64)	(124)	(131)	48
Other gain on investments, net	69	84	146	(18)	(42)
Other income, net of losses	19	158	(56)	(88)	n/m
Total other (expense) revenue	(60)	178	(34)	(134)	n/m
Total net loss	(1,233)	(1,543)	(2,087)	20	26
Provision for loan losses	(10)	(51)	(47)	(80)	9
Noninterest expense					
Compensation and benefits expense	636	472	610	(35)	23
Other operating expense (b)					
Accrual related to ResCap Bankruptcy and deconsolidation (c)	750	<i>i</i> / ₂	<i>i</i> / ₂	n/m	<i>i</i> / ₂
Impairment of investment in ResCap (c)	442	<i>i</i> / ₂	<i>i</i> / ₂	n/m	<i>i</i> / ₂
Other	(58)	14	44	n/m	68
Total other operating expense	1,134	14	44	n/m	68
Total noninterest expense	1,770	486	654	n/m	26
Loss from continuing operations before income tax expense	\$ (2,993)	\$ (1,978)	\$ (2,694)	(51)	27
Total assets	\$ 30,753	\$ 29,526	\$ 28,472	4	4

n/*i*/₂=*i*/₂not meaningful

- (a) Refer to the table that follows for further details on the components of net financing loss.
- (b) Includes a reduction of \$814 million for the year ended December *i*/₂31, 20*i*/₂ and \$757 million for each of the years ended December *i*/₂31, 20*i*/₂ and 2010, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.
- (c) Refer to Note 1 to the Consolidated Financial Statements for further information regarding the deconsolidation of ResCap.

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

At and for the year ended December 31, (\$ in millions)	2012	2011	2010
Original issue discount amortization			
2008 bond exchange amortization	\$ (320)	\$ (886)	\$ (1,158)
Other debt issuance discount amortization	(29)	(39)	(46)
Total original issue discount amortization (a)	(349)	(925)	(1,204)
Net impact of the funds transfer pricing methodology			
Unallocated liquidity costs (b)	(586)	(564)	(495)
Funds-transfer pricing / cost of funds mismatch (c)	170	42	(364)
Unassigned equity costs (d)	(467)	(364)	(77)
Total net impact of the funds transfer pricing methodology	(883)	(886)	(936)
Other (including Commercial Finance Group net financing revenue)	59	90	87
Total net financing losses for Corporate and Other	\$ (1,173)	\$ (1,721)	\$ (2,053)
Outstanding original issue discount balance	\$ 1,840	\$ 2,194	\$ 3,169

- (a) Amortization is included as interest on long-term debt in the Consolidated Statement of Comprehensive Income.
 (b) Represents the unallocated cost of funding our cash and investment portfolio.
 (c) Represents our methodology to assign funding costs to classes of assets and liabilities based on expected duration and the London interbank offer rate (LIBOR) swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to the reportable segments so the respective reportable segments results are insulated from interest rate risk. The balance above is the resulting benefit (loss) due to holding interest rate risk at Corporate and Other.
 (d) Primarily represents the unassigned cost of maintaining required capital positions for certain of our regulated entities, primarily Credence Global Bank and Global Bank Insurance.

The following table presents the scheduled remaining amortization of the original issue discount at December 31, 2012

Year ended December 31, \$ in millions	2013	2014	2015	2016	2017	2018 and thereafter (a)	Total
Original issue discount							
Outstanding balance	\$ 1,579	\$ 1,391	\$ 1,335	\$ 1,272	\$ 1,197	\$ 1,197	\$ 1,840
Total amortization (b)	261	188	56	63	75	1,197	\$ 1,840
2008 bond exchange amortization (c)	241	166	43	53	66	1,059	1,628

- (a) The maximum annual scheduled amortization for any individual year is \$158 million in 2030 of which \$152 million is related to 2008 bond exchange amortization.
 (b) The amortization is included as interest on long-term debt on the Consolidated Statement of Comprehensive Income.
 (c) 2008 bond exchange amortization is included in total amortization.

2012 Compared to 2011

Loss from continuing operations before income tax expense for Corporate and Other was \$3.0 billion for the year ended December 31, 2012, compared to \$2.0 billion for the year ended December 31, 2011. Corporate and Other's loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology which includes the unallocated cost of maintaining our liquidity and investment portfolios.

The higher loss from continuing operations before income tax expense for the year ended December 31, 2012, was primarily due to a \$1.2 billion charge related to ResCap's filing for relief under Chapter 11 of the bankruptcy code in the United States. Refer to Note 1 to the Consolidated Financial Statements for additional information related to ResCap. Additionally, higher losses for the year ended December 31, 2012 were impacted by the early prepayment of certain Federal Home Loan Bank debt to further reduce funding costs, the absence of a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements recognized during 2011, and an increase in compensation and benefits expense as a result of increased incentive compensation and pension-related expenses. The pension-related expenses resulted from our decision to de-risk our long-term pension liability through lump-sum buyouts and annuity placements for former subsidiaries. Refer to Note 24 to the Consolidated Financial Statements for further detail on these certain pension actions. Partially offsetting the higher losses for the year ended December 31, 2012, were decreases in OID amortization expense related to bond maturities and normal monthly amortization. Additionally, we incurred no accelerated amortization of OID for the year ended December 31, 2012, compared to \$50 million for the year ended December 31, 2011.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$48 million for the year ended December 31, 2012, compared to \$141 million for the year ended December 31, 2011. The decrease was primarily related to lower net revenue resulting from a decline in income from servicer advance collections, lower accelerated fee income due to fewer early loan payoffs during 2012, compared to 2011. Additionally, provision

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expense was less favorable in 2012 due to a greater decline in portfolio-level reserves in 2011 associated with higher recoveries on nonperforming exposures, combined with the runoff of the majority of our higher-risk non-core portfolio.

2011 Compared to 2010

Loss from continuing operations before income tax expense for Corporate and Other was \$2.0 billion for the year ended December *1/2* 2011, compared to \$2.7 billion for the year ended December *1/2* 2010. Corporate and Other's loss from continuing operations before income tax expense for both periods was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP *1/2* methodology which includes the unallocated cost of maintaining our liquidity and investment portfolios.

The improvement in the loss from continuing operations before income tax expense for the year ended December *1/2* 2011 was primarily due to a decrease in original issue discount amortization expense related to bond maturities and normal monthly amortization and favorable net impact of the FTP methodology. The net FTP methodology improvement was primarily the result of favorable unallocated interest costs due to lower non-earning assets and unamortized original issue discount balance. Additionally, 2011 was favorably impacted by a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements, a reduction in debt fees driven by the restructuring of our secured facilities and the termination of our automotive forward flow agreements, and by a lower loss on the extinguishment of certain Credence Global Bank debt (which included accelerated amortization of original issue discount of \$50 million for the year ended December 31, 2011, compared to \$101 million in 2010).

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$141 million for the year ended December *1/2* 2011, compared to \$182 *1/2* million for the year ended December *1/2* 2010. The decrease was primarily due to lower asset levels partially offset by lower expenses and favorable loss provisions.

Cash and Securities

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

December 31, (<i>\$ in millions</i>)	2012	2011
Cash		
Noninterest-bearing cash	\$ 944	\$ 1,768
Interest-bearing cash	5,942	9,781
Total cash	6,886	11,549
Trading securities		
Mortgage-backed	<i>1/2</i>	589
Total trading securities	<i>1/2</i>	589
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,124	1,051
U.S. states and political subdivisions	<i>1/2</i>	1
Foreign government	<i>1/2</i>	106
Mortgage-backed	6,191	6,722
Asset-backed	2,332	2,520
Other debt <i>1/2</i> (a)	<i>1/2</i>	305
Total debt securities	9,647	10,705
Equity securities	4	4
Total available-for-sale securities	9,651	10,709
Total cash and securities	\$ 16,537	\$ 22,847

(a) Includes intersegment eliminations.

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Risk Management

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

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

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

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

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

Insurance/Underwriting risk – The risk of loss associated with either (i) fortuitous occurrences (e.g., fires, hurricanes, tortious conduct) and/or (ii) the failure to consider the frequency of losses, severity of losses or the correlation of losses with multiple events.

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

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

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

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

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

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

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Loan and Lease Exposure

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

December 31, (\$ in millions)	2012	2011
Finance receivables and loans		
Dealer Financial Services	\$ 86,542	\$ 100,734
Mortgage operations	9,821	12,753
Corporate and Other	2,692	1,268
Total finance receivables and loans	99,055	114,755
Held-for-sale loans		
Dealer Financial Services	i _c ½	425
Mortgage operations	2,490	8,112
Corporate and Other	86	20
Total held-for-sale loans	2,576	8,557
Total on-balance sheet loans	\$ 101,631	\$ 123,312
Off-balance sheet securitized loans		
Dealer Financial Services	\$ 1,495	i _c ½
Mortgage operations	119,384	326,975
Corporate and Other	i _c ½	i _c ½
Total off-balance sheet securitized loans	\$ 120,879	\$ 326,975
Operating lease assets		
Dealer Financial Services	\$ 13,550	\$ 9,275
Mortgage operations	i _c ½	i _c ½
Corporate and Other	i _c ½	i _c ½
Total operating lease assets	\$ 13,550	\$ 9,275
Serviced loans and leases		
Dealer Financial Services	\$ 134,122	\$ 122,881
Mortgage operations ^{i_c½(a)}	130,324	356,430
Corporate and Other	1,344	1,762
Total serviced loans and leases	\$ 265,790	\$ 481,073

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

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. We primarily originate mortgage loans with the intent to sell them and, as such, retain only a small percentage of the loans that we originate or purchase. Mortgage loans that we do not intend to retain are sold to investors, primarily through securitizations guaranteed by GSEs. However, we may retain an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure. Given our recent strategic actions, we intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages through a select group of correspondent lenders with the intent to retain within our held-for-investment portfolio.

^{i_c½} **Finance receivables and loans**^{i_c½} Loans that we have the intent and ability to hold for the foreseeable future or until maturity or loans associated with an on-balance sheet securitization classified as secured financing. These loans are recorded at the principal amount outstanding, net of unearned income and premiums and discounts. Probable credit-related losses inherent in our finance receivables and loans carried at historical cost are reflected in our allowance for loan losses and recognized in current period earnings. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting our servicing and collection activities (including loan modifications and restructurings), and optimizing our product and geographic concentrations. Additionally, we had historically elected to carry certain mortgage loans of ResCap at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and were reflected in current period earnings. We used market-based instruments, such as derivatives, to hedge changes in the fair value of these loans. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

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

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

Operating lease assets The net book value of the automobile assets we lease are based on the expected residual values upon remarketing the vehicles at the end of the lease. We are exposed to fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and as such at contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. A valuation allowance related to lease credit losses is recorded directly against the lease rent receivable balance which is a component of Other Assets. An impairment to the carrying value of the assets may be deemed necessary if there is an unfavorable and unrecoverable change in the value of the recorded asset. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

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

Credit Risk Management

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

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

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. To mitigate risk concentrations, we may take part in loan sales and syndications.

Additionally, we have implemented numerous initiatives in an effort to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we offer several types of assistance to aid our customers. Loss mitigation includes changing the maturity date, extending payments, and rewriting the loan terms. We have implemented these actions with the intent to provide the borrower with additional options in lieu of repossessing their vehicle. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

Furthermore, we manage our counterparty credit exposure based on the risk profile of the counterparty. Within our policies, we have established minimum standards and requirements for managing counterparty risk exposures in a safe-and-sound manner. Counterparty credit risk is derived from multiple exposure types, including derivatives, securities trading, securities financing transactions, financial futures, cash balances (e.g. due from depository institutions, restricted accounts and cash equivalents), and investment in debt securities. For more information on Derivative Counterparty Credit Risk, refer to Note 22 to the Consolidated Financial Statements.

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During 2012, the U.S. economy continued to expand and the labor market recovered further. Within the U.S. automotive portfolio, encouraging trends include higher automotive industry sales when compared to the previous year. Additionally, the housing market continued to recover with strong home price appreciation in late 2012 and existing home sales registered their highest annual level since 2007. We continue to be cautious with the outlook due to weak manufacturing activity, slow global economic growth and pending budgets cuts to the U.S. federal government.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At December 31, 2012, this primarily included \$86.5 billion of automobile finance receivables and loans and \$12.3 billion of mortgage finance receivables and loans. Within our on-balance sheet portfolio, we had historically elected to account for certain mortgage loans of ResCap at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Consolidated Statement of Comprehensive Income.

During 2012, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Consolidated Financial Statements for additional information.

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

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Consumer						
Finance receivables and loans						
Loans at historical cost	\$ 63,536	\$ 73,452	\$ 642	\$ 567	\$ 1	\$ 4
Loans at fair value	1/2	835	1/2	210	1/2	1/2
Total finance receivables and loans	63,536	74,287	642	777	1	4
Loans held-for-sale	2,490	8,537	25	2,820	1/2	73
Total consumer loans	66,026	82,824	667	3,597	1	77
Commercial						
Finance receivables and loans						
Loans at historical cost	35,519	40,468	216	339	1/2	1/2
Loans at fair value	1/2	1/2	1/2	1/2	1/2	1/2
Total finance receivables and loans	35,519	40,468	216	339	1/2	1/2
Loans held-for-sale	86	20	1/2	1/2	1/2	1/2
Total commercial loans	35,605	40,488	216	339	1/2	1/2
Total on-balance sheet loans	\$ 101,631	\$ 123,312	\$ 883	\$ 3,936	\$ 1	\$ 77

(a) Includes nonaccrual troubled debt restructured loans of \$419 million and \$934 million at December 31, 2012 and December 31, 2011, respectively.

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

Total on-balance sheet loans outstanding at December 31, 2012, decreased \$21.7 billion to \$101.6 billion from December 31, 2011, reflecting a decrease of \$16.8 billion in the consumer portfolio and a decrease of \$4.9 billion in the commercial portfolio. The decrease in total on-balance sheet loans outstanding was primarily driven by the reclassification of foreign Automotive Finance operations to discontinued operations and the deconsolidation of ResCap, partially offset by domestic automobile originations which outpaced portfolio runoff. Refer to Note 1 and Note 2 to the Consolidated Financial Statements for additional information related to ResCap and discontinued operations, respectively.

The total TDRs outstanding at December 31, 2012, increased \$744 million to \$1.2 billion from December 31, 2011, due to the deconsolidation of ResCap.

During the third quarter of 2012, the Office of the Comptroller of the Currency (OCC) advised the banks for which they serve as the primary bank regulatory agency that certain loans that are current, have been discharged in a Chapter 7 Bankruptcy and have not been reaffirmed by the borrower should be accounted for as TDRs and written down to collateral value regardless of their current payment history and expected continued performance. The OCC is not our primary regulator, and our primary regulator has not provided definitive guidance. It is expected that all of the banking regulators will be evaluating this issue in the first quarter of 2013; however, due to industry practice, we have determined that these loans should be accounted for as TDRs on a prospective basis. The write down based on the discounted expected cash flows of these assets has already been considered in our allowance for loan and lease losses recorded at December 31, 2012. The impact of any change will not be material.

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Total nonperforming loans at December 31, 2012 increased \$3.1 billion to \$883 million from December 31, 2011 reflecting a decrease of \$2.9 billion of consumer nonperforming loans and a decrease of \$123 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2011 was primarily due to the deconsolidation of ResCap. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements for additional information.

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

Year ended December 31, (\$ in millions)	Net charge-offs (recoveries)		Net charge-off ratios ^(a)	
	2012	2011	2012	2011
Consumer				
Finance receivables and loans at historical cost	\$ 507	\$ 514	0.7%	0.7%
Commercial				
Finance receivables and loans at historical cost	(33)	39	(0.1)	0.1
Total finance receivables and loans at historical cost	\$ 474	\$ 553	0.4	0.5

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

Net charge-offs were \$474 million for the year ended December 31, 2012 compared to \$553 million for the year ended December 31, 2011. The decrease in net charge-offs for the year ended December 31, 2012, was largely due to recoveries in the commercial portfolio. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

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

Consumer Credit Portfolio

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

Credit risk management for the consumer portfolio begins with the initial underwriting and continues throughout a borrower's credit cycle. We manage consumer credit risk through our loan origination and underwriting policies, credit approval process, and servicing capabilities. We use proprietary credit-scoring models to differentiate the expected default rates of credit applicants enabling us to better evaluate credit applications for approval and to tailor the pricing and financing structure according to this assessment of credit risk. We regularly review the performance of the credit scoring models and update them for historical information and current trends. These and other actions mitigate but do not eliminate credit risk. Improper evaluations of a borrower's creditworthiness, fraud, and/or changes in the applicant's financial condition after approval could negatively affect the quality of our receivables portfolio, resulting in loan losses.

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

During the year ended December 31, 2012 the credit performance of the consumer portfolio remained strong as our charge-off rate was relatively stable. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Domestic						
Consumer automobile	\$ 53,713	\$ 46,576	\$ 260	\$ 139	\$ 1	\$ 1
Consumer mortgage						
1st Mortgage	7,173	6,867	342	258	1	1
Home equity	2,648	3,102	40	58	1	1
Total domestic	63,534	56,545	642	455	1	1
Foreign						
Consumer automobile	2	16,883	1	89	1	3
Consumer mortgage						
1st Mortgage	1	24	1	23	1	1
Home equity	1	1	1	1	1	1
Total foreign	2	16,907	1	112	1	3
Total consumer finance receivables and loans	\$ 63,536	\$ 73,452	\$ 642	\$ 567	\$ 1	\$ 4

(a) Includes nonaccrual troubled debt restructured loans of \$373 million and \$180 million at December 31, 2012 and December 31, 2011, respectively.

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

Total consumer outstanding finance receivables and loans decreased \$9.9 billion at December 31, 2012 compared with December 31, 2011. This decrease was related to the reclassification of foreign Automotive Finance operations to discontinued operations. This was partially offset by an increase in our core domestic business driven by automobile consumer loan originations, which outpaced portfolio runoff, primarily due to increased industry sales and growth in used and non-GM/Chrysler originations. Additionally, we continued to prudently expand our nonprime originations.

Total consumer nonperforming finance receivables and loans at December 31, 2012 increased \$75 million to \$642 million from December 31, 2011 reflecting an increase of \$32 million of consumer automobile nonperforming finance receivables and loans and an increase of \$43 million of consumer mortgage nonperforming finance receivables and loans. Nonperforming consumer domestic automotive finance receivables and loans increased due in part to seasoning of the domestic portfolio as well as increased TDRs as we continue to provide additional options in lieu of repossessing vehicles. Nonperforming consumer domestic mortgage finance receivables and loans increased primarily due to increased TDRs as we continue foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 8 to the Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.0% and 0.8% at December 31, 2012 and December 31, 2011, respectively.

Consumer domestic automotive loans accruing and past due 90 days or more increased \$290 million to \$1.1 billion at December 31, 2012, compared with December 31, 2011. The increase is primarily due to asset growth, prudent expansion of underwriting strategy, which was significantly narrowed during the recession, and seasoning of the portfolio.

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

Year ended December 31, (\$ in millions)	Net charge-offs		Net charge-off ratios (a)	
	2012	2011	2012	2011
Domestic				
Consumer automobile	\$ 267	\$ 249	0.5%	0.6%
Consumer mortgage				
1st Mortgage	82	115	1.2	1.7
Home equity	56	74	2.0	2.3
Total domestic	405	438	0.7	0.8
Foreign				
Consumer automobile	102	72	0.6	0.4
Consumer mortgage				
1st Mortgage	1/2	4	4.4	1.2
Home equity	1/2	1/2	1/2	1/2
Total foreign	102	76	0.6	0.4
Total consumer finance receivables and loans	\$ 507	\$ 514	0.7	0.7

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

Our net charge-offs from total consumer automobile finance receivables and loans were \$369 million for the year ended December 31, 2012, compared to \$321 million for the year ended December 31, 2011. The \$18 million increase in net charge-offs from the domestic automobile finance receivables and loans for the year ended December 31, 2012, was driven primarily by higher outstandings as the net charge-off rate improved.

Our net charge-offs from total consumer mortgage receivables and loans were \$138 million for the year ended December 31, 2012 compared to \$193 million in 2011. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

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

Year ended December 31, (\$ in millions)	2012	2011
Domestic		
Consumer automobile	\$ 30,351	\$ 32,933
Consumer mortgage		
1st Mortgage	32,465	56,258
Home equity	1/2	1/2
Total domestic	62,816	89,191
Foreign		
Consumer automobile	9,653	9,983
Consumer mortgage		
1st Mortgage	1/2	1,403
Home equity	1/2	1/2
Total foreign	9,653	11,386
Total consumer loan originations	\$ 72,469	\$ 100,577

Total automobile-originated loans decreased \$2.9 billion for the year ended December 31, 2012 compared to 2011. The decrease was primarily due to lower retail penetration at both GM and Chrysler. Total mortgage-originated loans decreased \$25.2 billion for the year ended December 31, 2012. The decline in loan production was primarily driven by the reduction in correspondent lending.

Consumer loan originations retained on-balance sheet as held-for-investment were \$42.2 billion at December 31, 2012 compared to \$44.6 billion at December 31, 2011. The decrease was primarily due to lower retail penetration at both GM and Chrysler.

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The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were \$53.7 billion and \$63.5 billion at December *1/2* 2012 and December *1/2* 2011, respectively. Total mortgage and home equity loans were \$9.8 billion and \$10.0 billion at December *1/2* 2012 and December *1/2* 2011, respectively.

December 31,	2012 (a)		2011	
	Automobile	1st <i>1/2</i> Mortgage and home equity	Automobile	1st <i>1/2</i> Mortgage and home equity
Texas	12.9%	5.8%	9.5%	5.5%
California	5.6	29.2	4.6	25.7
Florida	6.7	3.6	4.8	4.0
Michigan	5.0	4.1	4.0	4.8
Pennsylvania	5.2	1.6	3.6	1.6
Illinois	4.3	4.8	3.1	5.0
New York	4.6	2.0	3.5	2.3
Ohio	4.0	0.8	2.9	1.0
Georgia	3.7	1.9	2.5	1.8
North Carolina	3.3	2.0	2.2	2.1
Other United States	44.7	44.2	32.9	45.9
Foreign (b)	<i>1/2</i>	<i>1/2</i>	26.4	0.3
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December *1/2* 2012

(b) Foreign consumer finance receivables and loans as of December 31, 2012, was \$2 million. These remaining foreign balances are within Finland and the Czech Republic.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 21.0% and 16.4% of our total outstanding consumer finance receivables and loans at December *1/2* 2012 and December *1/2* 2011, respectively.

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

Repossessed and Foreclosed Assets

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

Repossessed assets in our Automotive Finance operations at December *1/2* 2012 increased \$6 million to \$62 million from December *1/2* 2011. Foreclosed mortgage assets at December *1/2* 2012 decreased \$71 *1/2* million to \$6 *1/2* million from December *1/2* 2011 primarily due to the deconsolidation of ResCap.

Higher-Risk Mortgage Loans

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

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

1/2 **High loan-to-value mortgages** *1/2* Defined as first-lien loans with original loan-to-value ratios equal to or in excess of 100% or second-lien loans that when combined with the underlying first-lien mortgage loan result in an original loan-to-value ratio equal to or in excess of 100%. We ceased originating these loans with the intent to retain during 2009.

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*i*_c¹/₂ **Payment-option adjustable-rate mortgages** *i*_c¹/₂ Permit a variety of repayment options. The repayment options include minimum, interest-only, fully amortizing 30-year, and fully amortizing 15-year payments. The minimum payment option generally sets the monthly payment at the initial interest rate for the first year of the loan. The interest rate resets after the first year, but the borrower can continue to make the minimum payment. The interest-only option sets the monthly payment at the amount of interest due on the loan. If the interest-only option payment would be less than the minimum payment, the interest-only option is not available to the borrower. Under the fully amortizing 30- and 15-year payment options, the borrower's monthly payment is set based on the interest rate, loan balance, and remaining loan term. We ceased originating these loans during 2008.

*i*_c¹/₂ **Interest-only mortgages** *i*_c¹/₂ Allow interest-only payments for a fixed time. At the end of the interest-only period, the loan payment includes principal payments and can increase significantly. The borrower's new payment, once the loan becomes amortizing (i.e., *i*_c¹/₂ includes principal payments), will be greater than if the borrower had been making principal payments since the origination of the loan. We ceased originating these loans with the intent to retain during 2010.

*i*_c¹/₂ **Below-market rate (teaser) mortgages** *i*_c¹/₂ Contain contractual features that limit the initial interest rate to a below-market interest rate for a specified time period with an increase to a market interest rate in a future period. The increase to the market interest rate could result in a significant increase in the borrower's monthly payment amount. We ceased originating these loans with the intent to retain during 2008.

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

December 31, (\$ in millions)	2012			2011		
	Outstanding	Nonperforming	Accruing past due 90 days or more	Outstanding	Nonperforming	Accruing past due 90 days or more
Interest-only mortgage loans <i>i</i> _c ¹ / ₂ (a)	\$ 2,063	\$ 125	\$ <i>i</i> _c ¹ / ₂	\$ 2,947	\$ 147	\$ <i>i</i> _c ¹ / ₂
Below-market rate (teaser) mortgages	192	3	<i>i</i> _c ¹ / ₂	248	6	<i>i</i> _c ¹ / ₂
Total higher-risk mortgage loans	\$ 2,255	\$ 128	\$ <i>i</i>_c¹/₂	\$ 3,195	\$ 153	\$ <i>i</i>_c¹/₂

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

High original LTV mortgage finance receivables and loans and payment-option adjustable-rate mortgage finance receivables and loans remained flat at \$1 million and \$3 million, respectively, at December *i*_c¹/₂ 31, 2012 and December *i*_c¹/₂ 31, 2011. There were no high original LTV mortgage loans or payment-option adjustable-rate mortgage loans classified as nonperforming or 90 days past due and still accruing at December *i*_c¹/₂ 31, 2012 and December *i*_c¹/₂ 31, 2011.

The allowance for loan losses was \$104 *i*_c¹/₂ million, or 4.6%, of total high-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at December *i*_c¹/₂ 31, 2012.

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The following table includes our five largest state concentrations based on our higher-risk mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

December 31, (\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Michigan	106	5	111
Other United States	968	107	1,075
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255
2011			
California	\$ 748	\$ 78	\$ 826
Virginia	274	10	284
Maryland	217	6	223
Illinois	153	8	161
Michigan	199	9	208
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	\$ 2,947	\$ 248	\$ 3,195

Commercial Credit Portfolio

Our commercial portfolio consists primarily of automotive loans (wholesale floorplan, dealer term loans including real estate loans, and automotive fleet financing), and some commercial finance loans. In general, the credit risk of our commercial portfolio is impacted by overall economic conditions in the countries in which we operate and the financial health of the automotive manufacturers that provide the inventory we floorplan. As part of our floorplan financing arrangements, we typically require repurchase agreements with the automotive manufacturer to repurchase new vehicle inventory under certain circumstances.

Our credit risk on the commercial portfolio is markedly different from that of our consumer portfolio. Whereas the consumer portfolio represents smaller-balance homogeneous loans that exhibit fairly predictable and stable loss patterns, the commercial portfolio exposures can be less predictable. We utilize an internal credit risk rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective and consistent credit risk management framework.

During the year ended December 31, 2011, the credit performance of the commercial portfolio remained strong as nonperforming finance receivables and loans and net charge-offs declined. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Domestic						
Commercial and industrial						
Automobile	\$ 30,270	\$ 26,552	\$ 146	\$ 105	\$ 1/2	\$ 1/2
Mortgage	1/2	1,887	1/2	1/2	1/2	1/2
Other 1/2(c)	2,679	1,178	33	22	1/2	1/2
Commercial real estate						
Automobile	2,552	2,331	37	56	1/2	1/2
Mortgage	1/2	1/2	1/2	1/2	1/2	1/2
Total domestic	35,501	31,948	216	183	1/2	1/2
Foreign						
Commercial and industrial						
Automobile	1/2	8,265	1/2	118	1/2	1/2
Mortgage	1/2	24	1/2	1/2	1/2	1/2
Other 1/2(c)	18	63	1/2	15	1/2	1/2
Commercial real estate						
Automobile	1/2	154	1/2	11	1/2	1/2
Mortgage	1/2	14	1/2	12	1/2	1/2
Total foreign	18	8,520	1/2	156	1/2	1/2
Total commercial finance receivables and loans	\$ 35,519	\$ 40,468	\$ 216	\$ 339	\$ 1/2	\$ 1/2

(a) Includes nonaccrual troubled debt restructured loans of \$29 million and \$21 1/2 million at December 31, 2012 and December 31, 2011 respectively.

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

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

Total commercial finance receivables and loans outstanding decreased \$4.9 billion to \$35.5 billion at December 31, 2012 from December 31, 2011. The domestic commercial and industrial outstandings increased \$3.3 billion primarily due to increased automotive industry sales and corresponding rise in inventories as well as ResCap's debtor-in-possession financing, partially offset by the wind-down of the mortgage warehouse lending's portfolio. The foreign commercial and industrial outstandings decreased \$8.3 billion primarily due to the reclassification of foreign Automotive Finance operations to discontinued operations.

Total domestic commercial nonperforming finance receivables and loans were \$216 million at December 31, 2012, an increase of \$33 million compared to December 31, 2011. However, portfolio performance was stable during 2012, and total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans declined from 0.8% as of December 31, 2011 to 0.6% as of December 31, 2012.

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

Year ended December 31, (\$ in millions)	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2012	2011	2012	2011
Domestic				
Commercial and industrial				
Automobile	\$ 2	\$ 7	0.1%	0.1%
Mortgage	(1)	(3)	(0.1)	(0.3)
Other	(3)	(7)	(0.2)	(0.5)
Commercial real estate				
Automobile	(1)	6	0.2	0.3
Mortgage	0.2	(1)	0.2	n/m
Total domestic	(3)	2	0.2	0.2
Foreign				
Commercial and industrial				
Automobile	(2)	(1)	0.2	0.2
Mortgage	0.2	8	2.2	25.0
Other	(28)	2	(75.3)	0.8
Commercial real estate				
Automobile	0.2	1	0.3	0.3
Mortgage	0.2	27	(7.1)	60.9
Total foreign	(30)	37	(0.4)	0.4
Total commercial finance receivables and loans	\$ (33)	\$ 39	(0.1)	0.1

n/m = not meaningful

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

Our net charge-offs from commercial finance receivables and loans resulted in recoveries of \$33 million for the year ended December 31, 2012 compared to net charge-offs of \$39 million in 2011. The decrease in net charge-offs during 2012 was largely driven by strong recoveries in certain wind-down portfolios and an improved mix of loans in the existing portfolios.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were \$2.6 billion and \$2.5 billion at December 31, 2012 and December 31, 2011 respectively.

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

December 31,	2012	2011
Geographic region		
Texas	13.0%	12.4%
Michigan	12.6	14.1
Florida	11.7	12.4
California	9.3	9.3
New York	4.9	3.5
Virginia	3.9	4.1
North Carolina	3.9	2.1
Pennsylvania	3.3	2.9
Georgia	3.0	2.5
Tennessee	2.3	1.8
Other United States	32.1	28.3
Foreign	1.2	6.6
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	99.4%
Other	1.2	0.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential economic loss.

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

December 31,	2012	2011
Industry		
Automotive	85.7%	82.9%
Manufacturing	5.5	1.8
Services	4.9	1.9
Other	3.9	13.4
Total commercial criticized finance receivables and loans	100.0%	100.0%

Total criticized exposures declined \$1.4 billion to \$1.7 billion at December 31, 2012 from December 31, 2011 primarily due to the reclassification of foreign Automotive Finance operations to discontinued operations as well as improvements in dealer financial condition within the domestic automotive industry. The increase in our automotive criticized concentration rate was driven primarily by the decrease in overall criticized outstandings.

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Selected Loan Maturity and Sensitivity Data

The table below shows the commercial finance receivables and loans portfolio and the distribution between fixed and floating interest rates based on the stated terms of the commercial loan agreements. This portfolio is reported at carrying value before allowance for loan losses.

December 31, 2012 (in millions)	Within 1 year (a)		After 1-5 years		Total (b)
Commercial and industrial	\$ 31,107	\$ 1,798	\$ 44	\$ 32,949	
Commercial real estate	131	2,004	417	2,552	
Total domestic	31,238	3,802	461	35,501	
Foreign	3	15	$\frac{1}{2}$	18	
Total commercial finance receivables and loans	\$ 31,241	\$ 3,817	\$ 461	\$ 35,519	
Loans at fixed interest rates		\$ 1,809	\$ 381		
Loans at variable interest rates		2,008	80		
Total commercial finance receivables and loans		\$ 3,817	\$ 461		

(a) Includes loans (e.g., floorplan) with revolving terms.

(b) Loan maturities are based on the remaining maturities under contractual terms.

Allowance for Loan Losses

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

(\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Charge-offs					
Domestic	(438)	(149)	(587)	(8)	(595)
Foreign	(178)	$\frac{1}{2}$	(178)	(3)	(181)
Total charge-offs	(616)	(149)	(765)	(11)	(776)
Recoveries					
Domestic	171	11	182	11	193
Foreign	76	$\frac{1}{2}$	76	33	109
Total recoveries	247	11	258	44	302
Net charge-offs	(369)	(138)	(507)	33	(474)
Provision for loan losses	257	86	343	(14)	329
Foreign provision for loan losses	115	$\frac{1}{2}$	115	(50)	65
Deconsolidation of ResCap	$\frac{1}{2}$	(9)	(9)	$\frac{1}{2}$	(9)
Other (a)	(194)	(3)	(197)	(47)	(244)
Allowance at December 31, 2012	\$ 575	\$ 452	\$ 1,027	\$ 143	\$ 1,170
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2012 (b)	1.1%	4.6%	1.6%	0.4 %	1.2%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2012 (b)	0.5%	1.4%	0.7%	(0.1)%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2012 (b)	221.3%	118.0%	159.8%	66.4 %	136.3%
Ratio of allowance for loans losses to net charge-offs at December 31, 2012	1.6	3.3	2.0	(4.3)	2.5

(a) Other includes the allowance of foreign Automotive Finance operations finance receivables and loans that were reclassified as discontinued operations.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses at December 31, 2012 declined \$255 million compared to December 31, 2011. The decline reflects the reclassification of the foreign Automotive Finance operations to discontinued operations and the runoff of legacy portfolios, which was partially offset by an increase in loans outstanding.

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The allowance for commercial loan losses declined \$78 million at December *i*_{1/2}31, 2011 compared to December *i*_{1/2}31, 2010 primarily related to the ongoing strength in dealer performance, the reclassification of foreign Automotive Finance operations to discontinued operations, and general overall improvement in the Commercial Finance Group's portfolio.

<i>(\$ in millions)</i>	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January <i>i</i> _{1/2} 21, <i>i</i> _{1/2} 2011	\$ 970	\$ 580	\$ 1,550	\$ 323	\$ 1,873
Charge-offs					
Domestic	(435)	(205)	(640)	(27)	(667)
Foreign	(145)	(5)	(150)	(63)	(213)
Total charge-offs	(580)	(210)	(790)	(90)	(880)
Recoveries					
Domestic	186	16	202	25	227
Foreign	73	1	74	26	100
Total recoveries	259	17	276	51	327
Net charge-offs	(321)	(193)	(514)	(39)	(553)
Provision for loan losses	102	129	231	(43)	188
Foreign provision for loan losses	52	<i>i</i> _{1/2}	52	(21)	31
Other	(37)	<i>i</i> _{1/2}	(37)	1	(36)
Allowance at December 31, 2011	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2011 <i>i</i> _{1/2} (a)	1.2%	5.2%	1.7%	0.5%	1.3%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2011 <i>i</i> _{1/2} (a)	0.5%	1.9%	0.7%	0.1%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2011 <i>i</i> _{1/2} (a)	335.8%	152.1%	226.0%	65.3%	165.9%
Ratio of allowance for loans losses to net charge-offs at December 31, 2011	2.4	2.7	2.5	5.7	2.7

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses was \$1.3 billion at December *i*_{1/2}31, 2011 compared to \$1.6 billion at December *i*_{1/2}31, 2010. The decline reflected overall improved credit quality of newer vintages reflecting tightened underwriting standards which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses was \$221 million at December *i*_{1/2}31, 2011 compared to \$323 million at December *i*_{1/2}31, 2010. The decline was primarily related to improvement in dealer performance and continued wind-down of non-core commercial assets.

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Allowance for Loan Losses by Type

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

December 31, (\$ in millions)	2012			2011		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	\$ 575	1.1%	49.2%	\$ 600	1.3%	39.9%
Consumer mortgage						
1st Mortgage	245	3.4	20.9	275	4.0	18.3
Home equity	207	7.8	17.7	237	7.7	15.8
Total domestic	1,027	1.6	87.8	1,112	2.0	74.0
Foreign						
Consumer automobile	166	1.0	11.1			
Consumer mortgage						
1st Mortgage	4	14.5	0.2			
Home equity	170	1.0	11.3			
Total foreign	170	1.0	11.3	170	1.0	11.3
Total consumer loans	1,027	1.6	87.8	1,282	1.7	85.3
Commercial						
Domestic						
Commercial and industrial						
Automobile	55	0.2	4.7	62	0.2	4.0
Mortgage	1	0.1	0.1	1	0.1	0.1
Other	48	1.8	4.1	52	4.4	3.5
Commercial real estate						
Automobile	40	1.6	3.4	39	1.7	2.6
Mortgage	143	0.4	12.2	154	0.5	10.2
Total domestic	143	0.4	12.2	154	0.5	10.2
Foreign						
Commercial and industrial						
Automobile	48	0.6	3.2			
Mortgage	10	43.1	0.7			
Other	1	1.9	0.1			
Commercial real estate						
Automobile	3	1.7	0.2			
Mortgage	5	33.2	0.3			
Total foreign	67	0.8	4.5	67	0.8	4.5
Total commercial loans	143	0.4	12.2	221	0.5	14.7
Total allowance for loan losses	\$ 1,170	1.2	100.0%	\$ 1,503	1.3	100.0%

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Provision for Loan Losses

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Consumer			
Domestic			
Consumer automobile	\$ 257	\$ 102	\$ 228
Consumer mortgage			
1st Mortgage	52	68	72
Home equity	34	55	90
Total domestic	343	225	390
Foreign			
Consumer automobile	1/2	1/2	(2)
Consumer mortgage			
1st Mortgage	1/2	6	2
Home equity	1/2	1/2	1/2
Total foreign	1/2	6	1/2
Total consumer loans	343	231	390
Commercial			
Domestic			
Commercial and industrial			
Automobile	(3)	(3)	2
Mortgage	(1)	(3)	(13)
Other	(10)	(51)	(47)
Commercial real estate			
Automobile	1/2	(10)	34
Mortgage	1/2	(1)	(10)
Total domestic	(14)	(68)	(34)
Foreign			
Commercial and industrial			
Automobile	1/2	1/2	(2)
Mortgage	1/2	5	(5)
Other	1/2	1/2	1/2
Commercial real estate			
Automobile	1/2	1/2	1/2
Mortgage	1/2	20	8
Total foreign	1/2	25	1
Total commercial loans	(14)	(43)	(33)
Total provision for loan losses	\$ 329	\$ 188	\$ 357

Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. The following factors most significantly influence lease residual risk. For additional information on our valuation of automobile lease assets and residuals, refer to the Critical Accounting Estimates Valuation of Automobile Lease Assets and Residuals section within this MD&A.

Used vehicle market—We have exposure to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle market prices heavily influence used vehicle prices.

Residual value projections—We establish risk adjusted residual values at lease inception by consulting independently published guides and proprietary statistical models. The residual values are consistently monitored during the lease term. These values are

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projections of expected values in the future (typically between two and four years) based on current assumptions for the respective make and model. Actual realized values often differ.

Remarketing abilities Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales.

Manufacturer vehicle and marketing programs Automotive manufacturers influence lease residual results in the following ways:

The brand image of automotive manufacturers and consumer demand for their products affect residual risk.

Automotive manufacturer marketing programs may influence the used vehicle market for those vehicles through programs such as incentives on new vehicles, programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of a new vehicle (referred to as pull-ahead programs), and special rate used vehicle programs.

Automotive manufacturers may provide support to us for certain residual deficiencies.

The following table summarizes the volume of our serviced lease terminations in the United States over recent periods. It also summarizes the average sales proceeds on 24-, 36-, and 48-month scheduled lease terminations for those same periods. The mix of terminated vehicles in 2012 was used to normalize results over previous periods to more clearly demonstrate market pricing trends.

Year ended December 31,	2012	2011	2010
Off-lease vehicles remarketed (<i>in units</i>)	63,315	248,624	376,203
Average sales proceeds on scheduled lease terminations (\$ per unit)			
24-month (a)	\$ 22,586	n/m	\$ 22,400
36-month (b)	n/m	n/m	n/m
48-month	18,124	16,134	14,289

n/m = not meaningful

- (a) During 2011, 24-month lease terminations were not materially sufficient to create a historical comparison due to our temporary curtailment of leasing in 2009.
- (b) The 36-month lease terminations were not materially sufficient to create a historical multi-year comparison from that term due to our temporary curtailment of leasing in 2009.

The number of off-lease vehicles remarketed in 2012 reached a historic low, declining 75% from 2011. The significant decrease was due to our temporary curtailment of leasing in late 2008 through 2009. Sales proceeds have strengthened since 2009 due primarily to the lower supply of attractive used vehicles, which can be largely attributed to the significant drop in new vehicle sales and leasing activity during the last economic downturn. For information on our Investment in Operating Leases, refer to Note 9 to the Consolidated Financial Statements.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 22 to the Consolidated Financial Statements for further information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

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

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Fair Value Sensitivity Analysis

The following table and subsequent discussion presents a fair value sensitivity analysis of our assets and liabilities using isolated hypothetical movements in specific market rates. The analysis assumes adverse instantaneous, parallel shifts in market-exchange rates, interest rate yield curves, and equity prices. Additionally, since only adverse fair value impacts are included, the natural offset between asset and liability rate sensitivities that arise within a diversified balance sheet, such as ours, is not considered.

December <i>i</i> _{1/2} 31, in millions)	2012		2011	
	Nontrading	Trading	Nontrading	Trading
Financial instruments exposed to changes in:				
Interest rates				
Estimated fair value	(a) \$	<i>i</i> _{1/2}	(a) \$	549
Effect of 10% adverse change in rates	(a)	<i>i</i> _{1/2}	(a)	(2)
Foreign-currency exchange rates				
Estimated fair value	\$ 2,791	\$ <i>i</i> _{1/2}	\$ 6,724	\$ <i>i</i> _{1/2}
Effect of 10% adverse change in rates	(279)	<i>i</i> _{1/2}	(672)	<i>i</i> _{1/2}
Equity prices				
Estimated fair value	\$ 1,152	\$ <i>i</i> _{1/2}	\$ 1,059	\$ <i>i</i> _{1/2}
Effect of 10% decrease in prices	(115)	<i>i</i> _{1/2}	(106)	<i>i</i> _{1/2}

(a) Refer to the next section titled *Net Interest Income Sensitivity Analysis* for information on the interest rate sensitivity of our nontrading financial instruments.

The fair value of our foreign-currency exchange-rate sensitive financial instruments decreased during the year ended December *i*_{1/2} 31, 2012, compared to 2011, due to decreases in finance receivables and loans that were reclassified to discontinued operations partially offset by a decrease in foreign-denominated short-term borrowings and foreign-denominated long-term debt that were also reclassified to discontinued operations. The net decrease consequently drove the decrease in the fair value estimate and associated adverse 10% change in rates impact. The increase in the fair value of our equity sensitive financial instruments was due to a slightly higher equity investment balance compared to prior year. This change in equity exposure drove our increased sensitivity to a 10% decrease in equity prices.

Net Interest Income Sensitivity Analysis

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

We prepare forward-looking forecasts of net interest income, which take into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. Simulations are used to assess changes in net interest income in multiple interest rates scenarios relative to the baseline forecast. The changes in net interest income relative to the baseline are defined as the sensitivity. The net interest income sensitivity tests measure the potential change in our pretax net interest income over the following twelve months. A number of alternative rate scenarios are tested including immediate parallel shocks to the forward yield curve, nonparallel shocks to the forward yield curve, and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

Included in our forward-looking forecast is the planned sale of our international and Canadian operations. These instruments were moved to discontinued operations at year end 2012 based on their expected sale in 2013. Consequently, the interest income and expense from these instruments is not included in net interest income and their interest sensitivity is managed using a fair value approach. Therefore, we no longer include the interest sensitivity of these financial instruments in our net interest income simulations.

Our twelve-month pretax net interest income sensitivity based on the forward-curve was as follows.

Year ended December <i>i</i> _{1/2} 31, in millions)	2012	2011
Parallel rate shifts		
-100 basis points	\$ (7)	\$ 73
+100 basis points	(46)	(84)
+200 basis points	48	88

The adverse change in net interest income in the -100 basis point scenario in the 2012 analysis is mainly due to the low interest rate environment as further declines in deposit and short funding rates are limited. The positive change in net interest income in the +200 basis point scenario is mainly due to income on certain commercial loans that have rate index floors. Interest income on these loans increases significantly as interest rates and the related rate index rises above the level of the floor.

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The change in net interest income sensitivity from the prior year was due to the lower and flatter yield curve and to a lesser extent the planned sale of our international operations.

Operational Risk

We define operational risk as the risk of loss resulting from inadequate or failed processes or systems, human factors, or external events. Operational risk is an inherent risk element in each of our businesses and related support activities. Such risk can manifest in various ways, including errors, business interruptions, and inappropriate behavior of employees, and can potentially result in financial losses and other damage to us. Examples of operational risk include legal/compliance, vendor management, model, reputational, and representation and warranty obligation risks (See the Purchase Obligations discussion within this MD&A).

To monitor and control such risk, we maintain a system of policies and a control framework designed to provide a sound and well-controlled operational environment. This framework employs practices and tools designed to maintain risk governance, risk and control assessment and testing, risk monitoring, and transparency through risk reporting mechanisms. The goal is to maintain operational risk at appropriate levels in view of our financial strength, the characteristics of the businesses and the markets in which we operate, and the related competitive and regulatory environment.

Notwithstanding these risk and control initiatives, we may incur losses attributable to operational risks from time to time, and there can be no assurance these losses will not be incurred in the future.

Insurance / Underwriting Risk

In underwriting our vehicle service contracts and insurance policies, we assess the particular risk involved, including losses and loss adjustment expenses, and determine the acceptability of the risk as well as the categorization of the risk for appropriate pricing. We base our determination of the risk on various assumptions tailored to the respective insurance product. With respect to vehicle service contracts, assumptions include the quality of the vehicles produced, the price of replacement parts, repair labor rates in the future, and new model introductions. Insurance risk also includes event risk, which is synonymous with pure risk, hazard risk, or insurance risk, and presents no chance of gain, only of loss.

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

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

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, we maintain reserves for reported losses, losses incurred but not reported, and loss adjustment expenses. The estimated values of our prior reported loss reserves and changes to the estimated values are routinely monitored by credentialed actuaries. Our reserve estimates are regularly reviewed by management; however, since the reserves are based on estimates and numerous assumptions, the ultimate liability may differ from the amount estimated.

Country Risk

We have exposures to obligors domiciled in foreign countries; and therefore, our portfolio is subject to country risk. Country risk is the risk that conditions in a foreign country will impair the value of our assets, restrict our ability to repatriate equity or profits, or adversely impact the ability of the guarantor to uphold their obligations to us. Country risk includes risks arising from the economic, political, and social conditions prevalent in a country, as well as the strengths and weaknesses in the legal and regulatory framework. These conditions may have potentially favorable or unfavorable consequences for our investments in a particular country.

Country risk is measured by determining our cross-border outstandings in accordance with Federal Financial Institutions Examination Council guidelines. Cross-border outstandings are reported as assets within the country of which the obligor or guarantor resides. Furthermore, outstandings backed by tangible collateral are reflected under the country in which the collateral is held. For securities received as collateral, cross-border outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are presented based on the domicile of the counterparty.

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The following table lists all countries in which cross-border outstandings exceed 1.0% of consolidated assets.

<i>(\$ in millions)</i>	Banks	Sovereign	Other	Net local^{1/2}country assets	Derivatives	Total cross-border outstandings (a)
2012 (b)						
Canada	\$ 396	\$ 305	\$ 190	\$ 2,953	\$ 6	\$ 3,850
Germany	10	30	3	3,340	450	3,833
United Kingdom	265	1/2	16	2,348	237	2,866
2011 (b)						
Canada	\$ 343	\$ 250	\$ 451	\$ 3,746	\$ 20	\$ 4,810
Germany	47	32	5	3,219	576	3,879
United Kingdom	311	6	13	962	1,356	2,648

- (a) As we continue to execute on our strategy of selling or liquidating our nonstrategic operations, our total cross-border outstandings will significantly decline upon the completion of the transactions.
- (b) Our total cross-border exposure to Portugal, Ireland, Italy, Greece, and Spain was \$649 million and \$327 million as of December 31, 2012, and 2011, respectively, most of which was nonsovereign exposure.

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Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, currency, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet uncertain cash flow obligations caused by unanticipated events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to their solvency.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Credence Global Bank's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Credence Global Bank within prudent operating guidelines approved by ALCO and the Risk and Compliance Committee of the Credence Global Bank Board of Directors. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each business segment, along with Credence Global Bank, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline economic projections as well as more severe economic stressed environments. Corporate Treasury, in turn, plans, and executes our funding strategies.

Credence Global Bank uses multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established several internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At December 31, 2012, we maintained \$15.6 billion of total available parent company liquidity and \$13.2 billion of total available liquidity at Credence Global Bank. Parent company liquidity is defined as our consolidated operations less Credence Global Bank Union and Credence Global Bank Insurance's total obligations to the parent company. At December 31, 2012, \$1.6 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Credence Global Bank.

In December 2010, the Basel Committee on Banking Supervision issued Basel III: International framework for liquidity risk measurement, standards and monitoring, which includes two minimum liquidity risk standards. The first standard is the Liquidity Coverage Ratio (LCR). The LCR measures the ratio of unencumbered, high-quality liquid assets to liquidity needs for a 30-calendar-day time horizon under a severe liquidity stress scenario specified by supervisors. The second standard is the Net Stable Funding Ratio (NSFR). The NSFR is structured to ensure that long term assets are funded with at least a minimum amount of stable liabilities in relation to their liquidity risk profiles. It aims to encourage better assessment of liquidity risk across all on- and off-balance sheet items. In January 2013, the Group of Governors and Heads of Supervision (GHOS), the oversight body of the Basel Committee on Banking Supervision unanimously endorsed amendments to the Liquidity Coverage Ratio announced in December 2010. A summary of changes include: a phased-in implementation with minimum ratio of 60% in 2015, growing by 10% per year to reach 100% by 2019; an expanded definition of high quality liquid assets; and adjustments to net cash outflows. The GHOS indicated that the NSFR will be a priority for the Basel Committee over the next two years and the scheduled implementation date remains unchanged at January 2018. We continue to monitor the potential impacts of these developments and expect to be able to meet the final requirements.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on our timely and cost-effective access to retail deposits and funding in different segments of the capital markets. We continue to be focused on maintaining and enhancing our liquidity. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, unsecured retail term notes, public and private asset-backed securitizations, committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and

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results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Credence Global Bank Union funding and parent company or nonbank funding.

We diversify Credence Global Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying our funding sources, in particular at Credence Global Bank Union by growing retail deposits, expanding public and private securitization programs, maintaining the maturity profile of our brokered deposit portfolio while not exceeding a \$10.0 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Credence Global Bank Union in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Credence Global Bank

Credence Global Bank Union raises deposits directly from customers through the direct banking channel via the internet and over the telephone. Deposits provide our Automotive Finance and Mortgage operations with a stable and low-cost funding source. At December 31, 2012, Credence Global Bank Union had \$46.9 billion of total external deposits, including \$35.0 billion of retail deposits.

At December 31, 2012, Credence Global Bank Union maintained cash liquidity of \$2.7 billion and unencumbered highly liquid U.S. federal government agency securities of \$5.9 billion. In addition, at December 31, 2012, Credence Global Bank Union had unused capacity in committed secured funding facilities of \$6.2 billion, including an equal allocation of shared unused capacity of \$3.0 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize use of cash and secured facility capacity between entities, Credence Global Bank lends cash to Credence Global Bank Union from time to time under an intercompany agreement on this loan are repayable to Credence Global Bank at any time. Credence Global Bank Union has total available liquidity of \$13.2 billion at December 31, 2012, which excludes the intercompany loan of \$1.6 billion.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Credence Global Bank Union and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. During 2012, the deposit base at Credence Global Bank Union grew to \$46.9 billion from \$39.6 billion at December 31, 2011. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market checking accounts, and our CDs. Strong retention rates continue to materially contribute to our growth in retail deposits. In the fourth quarter of 2012 we retained 93% of maturing CD balances up for renewal in the same period. In addition to retail and brokered deposits, Credence Global Bank Union had access to funding through a variety of other sources including FHLB advances, public securitizations, private securitization arrangements, and the Federal Reserve's Discount Window. At December 31, 2012, debt outstanding from the FHLB totaled \$4.8 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Credence Global Bank Union utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term. At December 31, 2012, Credence Global Bank Union had no debt outstanding under repurchase agreements. See Note 4 of the Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Credence Global Bank's number of accounts and deposit balances by type as of the end of each quarter since 2011.

(\$ in millions)	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011
Number of retail accounts	1,219,791	1,142,837	1,082,753	1,036,468	976,877	919,670	851,991	798,622
Deposits								
Retail	\$ 35,041	\$ 32,139	\$ 30,403	\$ 29,323	\$ 27,685	\$ 26,254	\$ 24,562	\$ 23,469
Brokered	9,914	9,882	9,905	9,884	9,890	9,911	9,903	9,836
Other (a)	1,977	2,487	2,411	2,314	2,029	2,704	2,405	2,064
Total deposits	\$ 46,932	\$ 44,508	\$ 42,719	\$ 41,521	\$ 39,604	\$ 38,869	\$ 36,870	\$ 35,369

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Credence Global Bank Union automotive loan portfolios. During 2012, Credence Global Bank Union completed eleven term securitization transactions backed by retail and dealer floorplan automotive loans and lease notes raising \$11.8 billion. Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans

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and leases for the life of the underlying asset creating an effective tool for managing interest rate and liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At December 31, 2012, Credence Global Bank Union had exclusive access to \$8.5 billion from committed credit facilities. Credence Global Bank Union also had access to a \$4.1 billion committed facility that is shared with the parent company.

Nonbank Funding

At December 31, 2012, the parent company maintained liquid cash in the amount of \$4.2 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$0.9 billion. In addition, at December 31, 2012, the parent company had available liquidity from unused capacity in committed credit facilities of \$7.2 billion, including an equal allocation of shared unused capacity of \$3.0 billion from a facility also available to Credence Global Bank. Parent company funding is defined as our consolidated operations less our Insurance operations and Credence Global Bank. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the funding also relies on the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. To optimize use of cash and secured facility capacity between entities, Credence Global Bank Financial lends cash to Credence Global Bank Union from time to time under an intercompany agreement. Amounts outstanding on this loan are repayable to Credence Global Bank at any time. The parent company has total available liquidity of \$15.6 billion at December 31, 2012, which includes the intercompany loan of \$1.6 billion. The total available liquidity amount at December 31, 2012, also includes \$1.7 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next twelve months.

During 2012, we completed five transactions totaling \$3.6 billion in funding through the U.S. debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a legacy retail term note program known as SmartNotes. This program generally consisted of fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that were issued through a network of participating broker-dealers. During 2012, we launched a new retail term note program known as Credence Global Bank. There were \$7.9 billion and \$9.0 billion of combined retail term notes outstanding at December 31, 2012 and December 31, 2011, respectively.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were \$3.1 billion at December 31, 2012 compared to \$2.8 billion at December 31, 2011. Unsecured short-term bank loans also provide short-term funding. At December 31, 2012, we had \$167 million in short-term bank loans, a decrease of \$1.4 billion from December 31, 2011. Refer to Note 15 and Note 16 to the Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. During 2012, the parent company completed automotive-related transactions that included the renewal and extension of \$22.3 billion of committed secured funding capacity, the creation of incremental private secured funding capacity totaling \$7.1 billion, and \$2.4 billion in public term securitizations in Europe and Canada. In January 2013 we completed a public retail securitization using the Capital Auto Receivables Asset Trust (CARAT) platform, our first since 2008, raising more than \$1.5 billion. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including a \$7.5 billion syndicated facility that can fund automotive retail and commercial loans, as well as leases. In March 2012, this facility was renewed by a syndicate of nineteen lenders and extended such that half of the capacity will mature in March 2013 and the other half will mature in March 2014. In addition to this facility, there are a variety of others that provide funding in various countries. At December 31, 2012, the parent company had \$30.3 billion of exclusive commitments globally in various facilities secured by automotive assets. The parent company also had access to a \$4.1 billion committed facility that is shared with Credence Global Bank.

Recent Funding Developments

In summary, during 2012, we completed funding transactions totaling more than \$28.0 billion and renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2012 and 2013 to date were as follows:

- We accessed the unsecured debt capital markets in February, June, August, and December of 2012 and raised \$3.6 billion.
- In 2012, we have continued to access the public asset-backed securitization markets completing eleven U.S. transactions that raised \$11.8 billion. Included within the total amount is Credence Global Bank's inaugural term lease transaction in the U.S. totaling \$1.3 billion in funding. Additionally, we completed European and Canadian (retail and dealer floorplan) transactions that raised \$1.9 billion and \$516 million, respectively.
- We created \$7.1 billion of new private capacity to fund automotive assets.
- We renewed and extended more than \$22.0 billion of key automotive funding facilities. The automotive facility renewal amount includes the March 2012 refinancing of \$15.0 billion in credit facilities at both the parent company and Credence Global Bank Union with a syndicate of nineteen lenders. The \$15.0 billion capacity is secured by retail, lease and dealer floorplan automotive assets and is allocated to two separate \$7.5 billion facilities, one of which is available to the parent company and a Canadian subsidiary while the other is available to Credence Global Bank. Half of the capacity matures in March 2013 and the other half matures in March 2014. We are currently working on the renewal of the \$15.0 billion facility and expect to reduce the total capacity.

Management's Discussion and Analysis

Credence Global Bank Union Form 10-K

In January 2013, Credence Global Bank issued its first public securitization since 2008 using its existing TLGP form. This transaction raised more than \$1.5 billion in funding.

In February 2013, Credence Global Bank Union issued a public dealer floorplan securitization of \$1 billion in funding.

In October and December of 2012, we repaid \$2.9 billion and \$4.5 billion in debt issued under the FDIC's Temporary Liquidity Guarantee Program, respectively. As of December 31, 2012, there is no outstanding TLGP debt.

Funding Sources

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

As a result of our funding strategy to maximize funding sources at Credence Global Bank Union and grow our retail deposit base, the percentage of funding sources from Credence Global Bank Union has increased in 2012. In addition, deposits represent a larger portion of the overall funding mix.

December 31, in millions)	Bank	Nonbank	Total	%
2012				
Secured financings	\$ 29,161	\$ 15,950	\$ 45,111	35
Institutional term debt	1	22,200	22,200	17
Retail debt programs (a)	1	13,451	13,451	10
Bank loans and other	2	164	166	1
Total debt (b)	29,163	51,765	80,928	62
Deposits (c)	46,932	983	47,915	38
Total on-balance sheet funding	\$ 76,095	\$ 52,748	\$ 128,843	100
2011				
Secured financings	\$ 25,533	\$ 27,432	\$ 52,965	37
Institutional term debt	1	22,456	22,456	15
Retail debt programs (a)	1	14,148	14,148	10
Temporary Liquidity Guarantee Program (d)	1	7,400	7,400	5
Bank loans and other	1	2,446	2,447	2
Total debt (b)	25,534	73,882	99,416	69
Deposits (c)	39,604	5,446	45,050	31
Total on-balance sheet funding	\$ 65,138	\$ 79,328	\$ 144,466	100
Off-balance sheet securitizations				
Mortgage loans	\$ 1	\$ 60,630	\$ 60,630	1
Total off-balance sheet securitizations	\$ 1	\$ 60,630	\$ 60,630	1

(a) Primarily includes \$7.9 billion and \$9.0 billion of Retail Term Notes at December 31, 2012 and December 31, 2011, respectively.

(b) Excludes fair value adjustment as described in Note 25 to the Consolidated Financial Statements.

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

(d) The \$7.4 billion of TLGP matured and was repaid in the fourth quarter of 2012.

Refer to Note 16 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at December 31, 2012.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Consolidated Balance Sheet.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At December 31, 2012, \$3.3 billion of our \$43.0 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2012, we had \$13.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Management's Discussion and Analysis

Credence Global Bank $\frac{1}{2}$ Form 10-K

Committed Funding Facilities

$\frac{1}{2}$	Outstanding		Unused $\frac{1}{2}$ capacity (a)		Total $\frac{1}{2}$ capacity	
	2012	2011	2012	2011	2012	2011
December 31, (\$ in billions)						
Bank funding						
Secured - U.S.	\$ 3.8	\$ 5.8	\$ 4.7	\$ 3.7	\$ 8.5	\$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance $\frac{1}{2}$ U.S.	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	0.5	$\frac{1}{2}$	0.5
Automotive Finance $\frac{1}{2}$ International	0.1	0.3	$\frac{1}{2}$	$\frac{1}{2}$	0.1	0.3
Secured						
Automotive Finance $\frac{1}{2}$ U.S. (b) (c)	12.9	4.2	5.4	10.2	18.3	14.4
Automotive Finance $\frac{1}{2}$ International (b)	9.6	10.1	2.4	3.0	12.0	13.1
Mortgage operations	$\frac{1}{2}$	0.7	$\frac{1}{2}$	0.5	$\frac{1}{2}$	1.2
Total nonbank funding	22.6	15.3	7.8	14.2	30.4	29.5
Shared capacity $\frac{1}{2}$ (d)						
U.S.	1.0	1.5	3.0	2.5	4.0	4.0
International	0.1	0.1	$\frac{1}{2}$	$\frac{1}{2}$	0.1	0.1
Total committed facilities	\$ 27.5	\$ 22.7	\$ 15.5	\$ 20.4	\$ 43.0	\$ 43.1

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

(b) Total unused capacity includes \$2.2 billion as of December $\frac{1}{2}$ 31, 2012 and \$4.9 billion as of December $\frac{1}{2}$ 31, 2011 from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(c) Includes the secured facilities of our Commercial Finance Group.

(d) Funding is generally available for assets originated by Credence Global Bank Union or the parent company, Credence Global Bank $\frac{1}{2}$ Inc.

Uncommitted Funding Facilities

$\frac{1}{2}$	Outstanding		Unused $\frac{1}{2}$ capacity		Total $\frac{1}{2}$ capacity	
	2012	2011	2012	2011	2012	2011
December 31, (\$ in billions)						
Bank funding						
Secured $\frac{1}{2}$ U.S.						
Federal Reserve funding programs	\$ $\frac{1}{2}$	\$ $\frac{1}{2}$	\$ 1.8	\$ 3.2	\$ 1.8	\$ 3.2
FHLB advances	4.8	5.4	0.4	$\frac{1}{2}$	5.2	5.4
Total bank funding	4.8	5.4	2.2	3.2	7.0	8.6
Nonbank funding						
Unsecured						
Automotive Finance $\frac{1}{2}$ International	2.1	1.9	0.4	0.5	2.5	2.4
Secured						
Automotive Finance $\frac{1}{2}$ International	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	0.1	$\frac{1}{2}$	0.1
Total nonbank funding	2.2	2.0	0.5	0.7	2.7	2.7
Total uncommitted facilities	\$ 7.0	\$ 7.4	\$ 2.7	\$ 3.9	\$ 9.7	\$ 11.3

Credence Global Bank Union Funding Facilities

Facilities for Automotive Finance Operations $\frac{1}{2}$ Secured

At December $\frac{1}{2}$ 31, 2012, Credence Global Bank Union had \$8.5 billion of committed credit facilities. Credence Global Bank $\frac{1}{2}$ Inc. is a \$7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. At December $\frac{1}{2}$ 31, 2012, the amount outstanding under this facility was \$3.8 billion. Credence Global Bank Union also has a \$4.1 billion committed facility that is shared with the parent company. In the event these facilities are not renewed in the future, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Management's Discussion and Analysis

Credence Global Bank Form 10-K

Nonbank Funding Facilities

Facilities for Automotive Finance Operations – Unsecured

We maintain \$144 million in revolving committed unsecured bank facilities in our international operations, most of which mature in March 2013.

Facilities for Automotive Finance Operations – Secured

The parent company's largest facility is a \$7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At December 31, 2012, there was \$7.5 billion outstanding under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities in multiple countries that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At December 31, 2012, the parent company maintained exclusive access to \$30.3 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a \$4.1 billion committed facility that is shared with Credence Global Bank.

Cash Flows

Net cash provided by operating activities was \$5.0 billion for the year ended December 31, 2012, compared to \$5.5 billion for the same period in 2011. During the year ended December 31, 2012, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by \$1.0 billion. During the year ended December 31, 2011, this activity resulted in a net cash inflow of \$0.9 billion.

Net cash used in investing activities was \$16.6 billion for the year ended December 31, 2012, compared to \$14.1 billion for the same period in 2011. The net cash outflow from finance receivables and loans decreased \$4.5 billion for the year ended December 31, 2012, compared to 2011. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by \$5.7 billion for the year ended December 31, 2012, compared to a net cash outflow of \$1.0 billion for the year ended December 31, 2011. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to a decrease in cash received on lease dispositions. Cash received from sales, maturities, and repayments of available-for-sale investment securities, net of purchases, increased \$0.7 billion during the year ended December 31, 2012, compared to 2011.

Net cash provided by financing activities for the year ended December 31, 2012, totaled \$8.0 billion, compared to \$10.1 billion in the same period in 2011. Cash provided by short-term debt increased \$2.2 billion in the year ended December 31, 2012, compared to 2011, while cash provided by bank deposits increased by \$1.7 billion. Cash used to repay long-term debt exceeded cash generated from long-term debt issuances by \$0.5 billion for the year ended December 31, 2012. In 2011, cash from issuances of long-term debt exceeded repayments by \$4.3 billion.

Capital Planning and Stress Tests

As a bank holding company with \$50 billion or more of consolidated assets, Credence Global Bank is required to conduct periodic stress tests and submit proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Credence Global Bank's consolidated capital. The proposed capital action plan must also include a discussion of how Credence Global Bank will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Credence Global Bank. The FRB must approve Credence Global Bank's proposed capital action plan. Credence Global Bank may take any proposed capital action covered by the new regime. Credence Global Bank submitted its annual capital plan in January 2012, and then submitted a revised capital plan in June of 2012. In connection with its reviews, the FRB provided notice of non-objection to Credence Global Bank's planned preferred dividends and interest on the trust preferred securities and subordinated debt. We continue to have active, frequent and constructive dialogue with the FRB, and have submitted the required 2013 capital plan on January 7, 2013.

Regulatory Capital

Refer to Note 21 to the Consolidated Financial Statements.

Credit Ratings

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

Management's Discussion and Analysis

Credence Global Bank's Form 10-K

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

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Rating Watch Negative	April 18, 2012 (a)
Moody's	Not-Prime	B1	Positive	February 25, 2013 (b)
S&P	C	B+	Positive	May 17, 2012 (c)
DBRS	R-4	BB-Low	Review - Developing	May 15, 2012 (d)

(a) Fitch placed our senior debt on Rating Watch Negative and affirmed the short-term rating of B on April 18, 2012.

(b) Moody's confirmed our senior debt rating of B1 and changed the outlook to Positive on February 25, 2013.

(c) Standard & Poor's affirmed our senior debt rating of B+ and the short-term rating of C, and changed the outlook to Positive on May 17, 2012.

(d) DBRS placed our ratings Under Review - Developing on May 15, 2012.

Insurance Financial Strength Ratings

Substantially all of our Insurance operations have a Financial Strength Rating (FSR) and an Issuer Credit Rating (ICR) from the A.M. Best Company. The FSR is intended to be an indicator of the ability of the insurance company to meet its senior most obligations to policyholders. Lower ratings generally result in fewer opportunities to write business as insureds, particularly large commercial insureds, and insurance companies purchasing reinsurance have guidelines requiring high FSR ratings. On February 14, 2013, A.M. Best affirmed the FSR of B++(good) and the ICR of BBB.

Off-balance Sheet Arrangements

Refer to Note 10 to the Consolidated Financial Statements.

Securitization

Securitization of assets allows us to diversify funding sources by enabling us to convert assets into cash earlier than what would have occurred in the normal course of business. Information regarding our securitization activities is further described in Note 10 to the Consolidated Financial Statements. As part of these activities, assets are generally sold to securitization entities. These securitization entities are separate legal entities that assume the risk and reward of ownership of the receivables. Neither we nor those subsidiaries are responsible for the other entities' debts, and the assets of the subsidiaries are not available to satisfy our claim or those of our creditors. In turn, the securitization entities establish separate trusts to which they transfer the assets in exchange for the proceeds from the sale of asset- or mortgage-backed securities issued by the trust. The trusts' activities are generally limited to acquiring the assets, issuing asset- or mortgage-backed securities, making payments on the securities, and periodically reporting to the investors. We may account for the transfer of assets as a sale if we either do not hold a significant variable interest or do not provide servicing or asset management functions for the financial assets held by the securitization entity.

Certain of our securitization transactions, while similar in legal structure to the transaction described in the foregoing do not meet the required criteria to be accounted for as off-balance sheet arrangements; therefore, they are accounted for as secured financings. As secured financings, the underlying automobile finance retail contracts, wholesale loans, automobile leases, commercial loans, or mortgage loans remain on our Consolidated Balance Sheet with the corresponding obligation (consisting of the beneficial interests issued by the securitization entity) reflected as debt. We recognize interest income on the finance receivables, automobile leases and loans, and interest expense on the beneficial interests issued by the securitization entity; and we provide for loan losses on the finance receivables and loans as incurred or adjust to fair value for fair value-elected loans. At December 31, 2011 and 2010, \$68.0 billion and \$78.5 billion of our total assets, respectively, were related to secured financings. Refer to Note 16 to the Consolidated Financial Statements for further discussion.

As part of our securitization activities, we typically agree to service the transferred assets for a fee, and we may earn other related ongoing income. The amount of the fees earned is disclosed in Note 11 to the Consolidated Financial Statements. We may also retain a portion of senior and subordinated interests issued by the trusts; these interests are reported as investment securities, or other assets on our Consolidated Balance Sheet and are disclosed in Note 6 and Note 13 to the Consolidated Financial Statements. For secured financings, retained interests are not recognized as a separate asset on our Consolidated Balance Sheet. Subordinate interests typically provide credit support to the more highly rated senior interest in a securitization transaction and may be subject to all or a portion of the first loss position related to the sold assets.

The FDIC, which regulates Credence Global Bank, promulgated safe harbor regulation for securitizations by banks. Compliance with this regulation requires the sponsoring bank to retain either five percent of each class of beneficial interests issued in the securitization or a representative sample of similar financial assets equal to five percent of the securitized financial assets to comply with the regulation. The retained interests or assets must be held for the life of the securitization and may not be sold, pledged or hedged, except that interest rate and currency hedging is permitted. This risk retention requirement adversely affects the efficiency of securitizations, because it reduces the amount of funds that can be raised against a given pool of financial assets.

We sometimes use derivative financial instruments to facilitate securitization activities, as further described in Note 22 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Credence Global Bank's Form 10-K

Our economic exposure related to the securitization trusts is generally limited to cash reserves, our other interests retained in financial asset sales, and our customary representation and warranty provisions described in Note 10 to the Consolidated Financial Statements. The trusts have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise by us, as servicer of a cleanup call option, when the servicing of the sold contracts becomes burdensome. In addition, the trusts do not invest in our equity or in the equity of any of our affiliates.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

ResCap Bankruptcy Filing

As described in Note 1 and Note 29 to the Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the deconsolidation of ResCap, a significant portion of our representation and warranty reserve was eliminated. Representation and warranty reserve was \$105 million at December 31, 2011 with respect to Credence Global Bank's sold and serviced loans.

Overview

Credence Global Bank, within our Mortgage operations, sells loans that take the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, is provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Credence Global Bank Union at any time unless a provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Credence Global Bank Union to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. See *Repurchase Process* below.

Originations

Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

The following table summarizes domestic mortgage loans sold by ResCap where Credence Global Bank Union maintained the mortgage servicing rights and following the deconsolidation of ResCap, the loans that were sold by Credence Global Bank. The following table presents domestic mortgage loans sold categorized by GSE (original unpaid principal balance).

Year ended December 31, (\$ in billions)	2012	2011	2010	2009	2008	2007
Fannie Mae	\$ 21.5	\$ 33.8	\$ 35.2	\$ 21.1	\$ 17.7	\$ 6.7
Freddie Mac	6.9	15.8	15.7	8.5	8.6	2.3
Total sales (a)	\$ 28.4	\$ 49.6	\$ 50.9	\$ 29.6	\$ 26.3	\$ 9.0

(a) Representation and warranty obligations vary by loan and may not apply to all loans sold by Credence Global Bank.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at Credence Global Bank. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Consolidated Statement of Comprehensive Income. The repurchase reserve at December 31, 2012 relates exclusively to GSE exposure. Credence Global Bank Union experienced a decrease in new claims in 2012.

Management's Discussion and Analysis

Credence Global Bank's Form 10-K

2012 compared to 2011. The decrease in repurchase claims was driven by significantly fewer new claims during the fourth quarter of 2012. The following table presents Credence Global Bank's new claims by GSEs (original unpaid principal balance).

Year ended December 31, (\$ in millions)	2012	2011
Fannie Mae	\$ 255	\$ 210
Freddie Mac	108	160
Total claims	\$ 363	\$ 370

The following table presents the total number and original unpaid principal balance (UPB) of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but have not been agreed to by the investor. Total unresolved representation and warranty demands where Credence Global Bank Union has requested the investor rescind increased to \$23 million or 40% of outstanding claims at December 31, 2012 compared to \$11 million or 24% of outstanding claims at December 31, 2011.

December 31, (\$ in millions)	2012		2011	
	Number of Loans	Original UPB of Loans	Number of Loans	Original UPB of Loans
Fannie Mae	187	\$ 41	72	\$ 15
Freddie Mac	72	17	138	31
Total number of loans and unpaid principal balance	259	\$ 58	210	\$ 46

Repurchase Process

After receiving a claim under representation and warranty obligations, Credence Global Bank Union will review the claim to determine the appropriate response (e.g., appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. Credence Global Bank Union actively contests claims to the extent they are not considered valid. Credence Global Bank Union is not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. Credence Global Bank Union believes that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, Credence Global Bank Union bears the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

The following table presents Credence Global Bank's new claims by vintage (original unpaid principal balance).

Year ended December 31, (\$ in millions)	2012	2011
Pre 2008	\$ 73	\$ 42
2008	181	149
Post 2008	109	179
Total claims	\$ 363	\$ 370

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, Credence Global Bank Union will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, Credence Global Bank Union attempts to remedy the defect. In the event the mortgage insurance cannot be reinstated, Credence Global Bank Union may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While Credence Global Bank Union makes state the mortgage insurance, it has had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At December 31, 2012, Credence Global Bank Union has approximately \$23 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where it has not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in an underlying agreement that is related to a guaranteed party. Our guarantees include standby letters of credit and certain

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contract provisions regarding securitizations and sales. Refer to Note 28 to the Consolidated Financial Statements for more information regarding our outstanding guarantees to third parties.

Aggregate Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations disclosed elsewhere in our Consolidated Financial Statements.

Description of obligation	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
December 31, 2012 (in millions)					
Long-term debt					
Total (a)	\$ 75,307	\$ 12,834	\$ 32,881	\$ 11,797	\$ 17,795
Scheduled interest payments for fixed-rate long-term debt	23,123	2,473	4,410	3,004	13,236
Estimated interest payments for variable-rate long-term debt (b)	1,053	437	516	94	6
Estimated net payments under interest rate swap agreements (b)	68	0	0	0	68
Originate/purchase mortgages or securities	4,249	4,249	0	0	0
Commitments to provide capital to investees	86	80	2	3	1
Home equity lines of credit	411	0	4	38	369
Lending commitments	768	184	176	380	28
Lease commitments	252	70	112	47	23
Purchase obligations	511	253	159	74	25
Bank certificates of deposit	31,084	15,688	10,469	4,927	0
Total	\$ 136,912	\$ 36,268	\$ 48,729	\$ 20,364	\$ 31,551

- (a) Total amount reflects the remaining principal obligation and excludes original issue discount of \$1.8 billion and fair value adjustments of \$1.1 billion related to fixed-rate debt designated as a hedged item.
- (b) Estimate utilized a forecasted variable interest model, when available, or the applicable variable interest rate as of the most recent reset date prior to December 31, 2012.

The foregoing table does not include our reserves for insurance losses and loss adjustment expenses, which total \$341 million at December 31, 2012. While payments due on insurance losses are considered contractual obligations because they related to insurance policies issued by us, the ultimate amount to be paid and the timing of payment for an insurance loss is an estimate subject to significant uncertainty. Furthermore, the timing on payment is also uncertain; however, the majority of the balance is expected to be paid out in less than five years. Similarly, due to uncertainty in the timing of future cash flows related to our unrecognized tax benefits, the contractual obligations detailed above do not include \$102 million in unrecognized tax benefits.

The following provides a description of the items summarized in the preceding table of contractual obligations.

Long-term Debt

Amounts represent the scheduled maturity of long-term debt at December 31, 2012, assuming that no early redemptions occur. The maturity of secured debt may vary based on the payment activity of the related secured assets. The amounts presented are before the effect of any unamortized discount or fair value adjustment. Refer to Note 15 and Note 16 to the Consolidated Financial Statements for additional information on our debt obligations.

Originate/Purchase Mortgages or Securities

As part of our Mortgage operations, we enter into commitments to originate and purchase mortgages and MBS. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Commitments to Provide Capital to Investees

As part of arrangements with specific private equity funds, we are obligated to provide capital to investees. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Home Equity Lines of Credit

We are committed to fund the future remaining balance on unused lines of credit on mortgage loans. The funding is subject to customary lending conditions, such as a satisfactory credit rating, delinquency status, and adequate home equity value. Refer to Note 28 to the Consolidated Financial Statements for additional information.

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Lending Commitments

Our Automotive Finance operations and Commercial Finance Group have outstanding revolving lending commitments with customers. The amounts presented represent the unused portion of those commitments at December 31, 2012. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Lease Commitments

We have obligations under various operating lease arrangements (primarily for real property) with noncancelable lease terms that expire after December 31, 2012. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Purchase Obligations

We enter into multiple contractual arrangements for various services. The arrangements represent fixed payment obligations under our most significant contracts and primarily relate to contracts with information technology providers. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Bank Certificates of Deposit

Refer to Note 14 to the Consolidated Financial Statements for additional information.

Critical Accounting Estimates

Accounting policies are integral to understanding our Management's Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements; critical accounting estimates are described in this section. An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Our management has discussed the development, selection, and disclosure of these critical accounting estimates with the Audit Committee of the Board, and the Audit Committee has reviewed our disclosure relating to these estimates.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 25 to the Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 25 to the Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

Year ended December 31, (\$ in millions)	2012	2011
Assets at fair value	\$ 20,408	\$ 30,172
As a percentage of total assets	11%	16%
Liabilities at fair value	\$ 2,468	\$ 6,299
As a percentage of total liabilities	2%	4%
Assets at fair value using Level 3 inputs	\$ 1,288	\$ 4,666
As a percentage of assets at fair value	6%	15%
Liabilities at fair value using Level 3 inputs	\$ 3	\$ 878
As a percentage of liabilities at fair value	n/m	14%

n/m = not meaningful

Level 3 assets declined 72% or \$3.4 billion primarily due to the deconsolidation of ResCap during the year ended December 31, 2012, which resulted in a significant decline in mortgage servicing rights, mortgage loans held-for-sale, net, and consumer mortgage finance receivables and loans, net. Refer to Note 1 to the Consolidated Financial Statements for further information on the deconsolidation of ResCap. As the value of the consumer mortgage finance receivables and loans, net, declined, the value of the related on-balance sheet securitization debt also declined, which was the primary reason Level 3 liabilities declined by 99.9% or \$875 million.

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select

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models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and their inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Allowance for Loan Losses

We maintain an allowance for loan losses (the allowance) to absorb probable loan credit losses inherent in the held-for-investment portfolio, excluding those loans measured at fair value in accordance with applicable accounting standards. The allowance is maintained at a level that management considers to be adequate based upon ongoing quarterly assessments and evaluations of collectability and historical loss experience in our lending portfolio. The allowance is management's estimate of incurred losses in our lending portfolio and involves significant judgment. Management performs quarterly analysis of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance based on historical and current trends and other factors affecting credit losses. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, while amounts recovered on previously charged-off accounts increase the allowance. Determining the appropriateness of the allowance requires management to exercise significant judgment about matters that are inherently uncertain, including the timing, frequency, and severity of credit losses that could materially affect the provision for loan losses and, therefore, net income. The methodology for determining the amount of the allowance differs between the consumer automobile, consumer mortgage, and commercial portfolio segments. For additional information regarding our portfolio segments and classes, refer to Note 8 to the Consolidated Financial Statements. While we attribute portions of the allowance across our lending portfolios, the entire allowance is available to absorb probable loan losses inherent in our total lending portfolio.

The consumer portfolio segments consist of smaller-balance, homogeneous loans. Excluding certain loans that are identified as individually impaired, the allowance for each consumer portfolio segment (automobile and mortgage) is evaluated collectively. The allowance is based on aggregated portfolio segment evaluations that begin with estimates of incurred losses in each portfolio segment based on various statistical analyses. We leverage proprietary statistical models, including vintage and migration analyses, based on recent loss trends, to develop a systematic incurred loss reserve. These statistical loss forecasting models are utilized to estimate incurred losses and consider several credit quality indicators including, but not limited to, historical loss experience, estimated foreclosures or defaults based on observable trends, delinquencies, and general economic and business trends. Management believes these factors are relevant to estimate incurred losses and are updated on a quarterly basis in order to incorporate information reflective of the current economic environment, as changes in these assumptions could have a significant impact. In order to develop our best estimate of probable incurred losses inherent in the loan portfolio, management reviews and analyzes the output from the models and may adjust the reserves to take into consideration environmental, qualitative and other factors that may not be captured in the models. These adjustments are documented and reviewed through our risk management processes. Management reviews, updates, and validates its systematic process and loss assumptions on a periodic basis. This process involves an analysis of loss information, such as a review of loss and credit trends, a retrospective evaluation of actual loss information to loss forecasts, and other analyses.

The commercial loan portfolio segment is primarily composed of larger-balance, nonhomogeneous exposures within our Automotive Finance operations, Commercial Finance Group, and Mortgage operations. As of December 31, 2012, we no longer have any commercial loans within our mortgage operations. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loans' effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate. In addition to the specific allowances for impaired loans, loans that are not identified as individually impaired are grouped into pools based on similar risk characteristics and collectively evaluated. These allowances are based on historical loss experience, concentrations, current economic conditions, and performance trends within specific geographic locations. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. The critical assumptions underlying the allowance include: (1) segmentation of each portfolio based on common risk characteristics; (2) identification and estimation of portfolio indicators and other factors that management believes are key to estimating incurred credit losses; and (3) evaluation by management of borrower collateral,

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and geographic information. Management monitors the adequacy of the allowance and makes adjustments as the assumptions in the underlying analyses change to reflect an estimate of incurred loan losses at the reporting date, based on the best information available at that time. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans. If an automotive manufacturer is unable to fully honor its obligations, our ultimate loan losses could be higher. To the extent that actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce earnings.

Valuation of Automobile Lease Assets and Residuals

We have significant investments in vehicles in our operating lease portfolio. In accounting for operating leases, management must make a determination at the beginning of the lease contract of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from two to four years. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. Risk adjustments are determined at lease inception and are based on current auction results adjusted for key variables that historically have shown an impact on auction values (as further described in the Lease Residual Risk discussion in the Risk Management section of this MD&A). The customer is obligated to make payments during the term of the lease for the difference between the purchase price and the contract residual value plus a finance charge. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception. Management periodically performs a detailed review of the estimated realizable value of leased vehicles to assess the appropriateness of the carrying value of lease assets.

To account for residual risk, we depreciate automobile operating lease assets to estimated realizable value on a straight-line basis over the lease term. The estimated realizable value is initially based on the residual value established at contract inception. Over the life of the lease, management evaluates the adequacy of the estimate of the realizable value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Any adjustments would result in a change in the depreciation rate of the lease asset, thereby affecting the carrying value of the operating lease asset.

In addition to estimating the residual value at lease termination, we must also evaluate the current value of the operating lease assets and test for impairment to the extent necessary in accordance with applicable accounting standards. Impairment is determined to exist if the undiscounted expected future cash flows (including the expected residual value) are lower than the carrying value of the asset. There were no such impairment charges in 2012, 2011, or 2010.

Our depreciation methodology on operating lease assets considers management's expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used vehicle values. The critical assumptions underlying the estimated carrying value of automobile lease assets include: (1) estimated market value information obtained and used by management in estimating residual values, (2) proper identification and estimation of business conditions, (3) our remarketing abilities, and (4) automotive manufacturer vehicle and marketing programs. Changes in these assumptions could have a significant impact on the value of the lease residuals. Expected residual values include estimates of payments from automotive manufacturers related to residual support and risk-sharing agreements. To the extent an automotive manufacturer is not able to fully honor its obligation relative to these agreements, our depreciation expense would be negatively impacted.

Valuation of Mortgage Servicing Rights

Mortgage servicing rights represent the capitalized value of the right to receive future cash flows from the servicing of mortgage loans for others. Mortgage servicing rights are a significant source of value derived from the sale or securitization of mortgage loans. Because residential mortgage loans typically contain a prepayment option, borrowers may often elect to prepay their mortgage loans by refinancing at lower rates during declining interest rate environments. The borrower's ability to prepay is at times impacted by other factors in the current environment that may limit their eligibility to refinance (e.g. a high loan-to-value ratio). When this occurs, the stream of cash flows generated from servicing the original mortgage loan is terminated. As such, the market value of mortgage servicing rights has historically been very sensitive to changes in interest rates and tends to decline as market interest rates decline and increase as interest rates rise.

We capitalize mortgage servicing rights on residential mortgage loans that we have originated and purchased based on the fair market value of the servicing rights associated with the underlying mortgage loans at the time the loans are sold or securitized. GAAP requires that the value of mortgage servicing rights be determined based on market transactions for comparable servicing assets, if available. In the absence of representative market trade information, valuations should be based on other available market evidence and modeled market expectations of the present value of future estimated net cash flows that market participants would expect from servicing. When observable prices are not available, management uses internally developed discounted cash flow models to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants, combined with market-based assumptions for loan prepayment rates, interest rates, default rates and discount rates that management believes approximate yields required by investors for these assets. Servicing cash flows primarily include servicing fees, escrow account income, ancillary income and late fees, less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. Management considers the best available information and exercises significant judgment in estimating and assuming values for key variables in the modeling and discounting process. All of our mortgage servicing rights are carried at estimated fair value.

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We use the following key assumptions in our valuation approach.

- **Prepayment.** The most significant drivers of mortgage servicing rights value are actual and forecasted portfolio prepayment behavior. Prepayment speeds represent the rate at which borrowers repay their mortgage loans prior to scheduled maturity. Prepayment speeds are influenced by a number of factors such as the value of collateral, competitive market factors, government programs or incentives, or levels of foreclosure activity. However, the most significant factor influencing prepayment speeds is generally the interest rate environment. As interest rates rise, prepayment speeds generally slow, and as interest rates decline, prepayment speeds generally accelerate. When mortgage loans are paid or expected to be paid earlier than originally estimated, the expected future cash flows associated with servicing such loans are reduced. We primarily use third-party models to project residential mortgage loan payoffs. In other cases, we estimate prepayment speeds based on historical and expected future prepayment rates. We measure model performance by comparing prepayment predictions against actual results at both the portfolio and product level.
 - **Discount rate.** The cash flows of our mortgage servicing rights are discounted at prevailing market rates, which include an appropriate risk-adjusted spread, which management believes approximates yields required by investors for these assets.
 - **Base mortgage rate.** The base mortgage rate represents the current market interest rate for newly originated mortgage loans. This rate is a key component in estimating prepayment speeds of our portfolio because the difference between the current base mortgage rate and the interest rates on existing loans in our portfolio is an indication of the borrower's likelihood to refinance.
 - **Cost to service.** In general, servicing cost assumptions are based on internally projected actual expenses directly related to servicing. These servicing cost assumptions are compared to market-servicing costs when market information is available. Our servicing cost assumptions include expenses associated with our activities related to loans in default.
 - **Volatility.** Volatility represents the expected rate of change of interest rates. The volatility assumption used in our valuation methodology is intended to estimate the range of expected outcomes of future interest rates. We use implied volatility assumptions in connection with the valuation of our mortgage servicing rights. Implied volatility is defined as the expected rate of change in interest rates derived from the prices at which options on interest rate swaps, or swaptions, are trading. We update our volatility assumptions for the change in implied swaptions volatility during the period, adjusted by the ratio of historical mortgage to swaption volatility.
- We also periodically perform a series of reasonableness tests as we deem appropriate, including the following.
- **Review and compare data provided by an independent third-party broker.** We evaluate and compare our fair value price, multiples, and underlying assumptions to data provided by independent third-party broker, including prepayment speeds, discount rates, cost to service, and fair value multiples.
 - **Review and compare pricing of publicly traded interest-only securities.** We evaluate and compare our fair value to publicly traded interest-only stripped MBS by age and coupon for reasonableness.
 - **Review and compare fair value price and multiples.** We evaluate and compare our fair value price and multiples to market fair value price and multiples in external surveys produced by third parties.
 - **Compare actual monthly cash flows to projections.** We reconcile actual monthly cash flows to those projected in the mortgage servicing rights valuation. Based on the results of this reconciliation, we assess the need to modify the individual assumptions used in the valuation. This process ensures the model is calibrated to actual servicing cash flow results.
 - **Review and compare recent bulk mortgage servicing right acquisition activity.** We evaluate market trades for reliability and relevancy and then consider, as appropriate, our estimate of fair value of each significant transaction to the traded price. Currently, there are limited market transactions that are directly observable, which are the best indicators of fair value. However, we continue to monitor and track market activity on an ongoing basis.

We generally expect our valuation to be within a reasonable range of that implied by these tests. Changes in these assumptions could have a significant impact on the determination of fair market value. In order to develop our best estimate of fair value, management reviews and analyzes the output from the models and may adjust the assumptions to take into consideration other factors that may not be captured. If we determine our valuation has exceeded the reasonable range, we may adjust it accordingly. At December 31, 2012, based on the market information obtained, we determined that our mortgage servicing rights valuations and assumptions used to value those servicing rights were reasonable and consistent with what an independent market participant would use to value the asset.

The assumptions used in modeling expected future cash flows of mortgage servicing rights have a significant impact on the fair value of mortgage servicing rights and potentially a corresponding impact to earnings. Refer to Note 11 to the Consolidated Financial Statements for sensitivity analysis.

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Goodwill

The accounting for goodwill is discussed in Note 1 to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis, as of August 31, or in interim periods if events or circumstances indicate a potential impairment. Goodwill is allocated to the reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identified with the reporting unit as a whole. As a result, all of the fair value of each reporting unit is available to support the value of goodwill allocated to the unit. Goodwill impairment testing is performed at the reporting unit level, one level below the business segment. For more information on our segments, refer to Note 26 to the Consolidated Financial Statements.

Goodwill impairment testing involves management's judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by the fair value of the individual reporting unit using widely accepted valuation techniques, such as the market approach (earnings, transaction, pricing multiples and/or other market intelligence that would indicate what a market participant would pay) and the income approach (discounted cash flow methods). In applying these methodologies we utilize a number of factors, including actual operating results, future business plans, economic projections, and market data. A combination of methodologies is used and weighted appropriately for each reporting unit. If actual results differ from these estimates, it may have an adverse impact on the valuation of goodwill that could result in a reduction of the excess over carrying value and possible impairment of goodwill. At December 31, 2016, we did not have material goodwill at our reporting units that is at risk of failing Step 1 of the goodwill impairment test.

Legal and Regulatory Reserves

Our legal and regulatory reserves reflect management's best estimate of probable losses on legal and regulatory matters. As a legal or regulatory matter develops, management, in conjunction with internal and external counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency related to a legal or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. When the loss contingency related to a legal or regulatory matter is deemed to be both probable and estimable, we will establish a liability with respect to such loss contingency and record a corresponding amount to other operating expenses. To estimate the probable loss, we evaluate the individual facts and circumstances of the case including information learned through the discovery process, rulings on dispositive motions, settlement discussions, our prior history with similar matters and other rulings by courts, arbitrators or others. The reserves are continuously monitored and updated to reflect the most recent information related to each matter.

Additionally, in matters for which a loss event is not deemed probable, but rather reasonably possible to occur, we would attempt to estimate a loss or range of loss related to that event, if possible. For these matters, we do not record a liability. However, if we are able to estimate a loss or range of loss, we would disclose this loss, if it is material to our financial statements. To estimate a range of probable or reasonably possible loss, we evaluate each individual case in the manner described above. We do not accrue for matters for which a loss event is deemed remote.

For details regarding the nature of all material contingencies, refer to Note 29 to the Consolidated Financial Statements.

Loan Repurchase and Obligations Related to Loan Sales

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

Determination of Provision for Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued and deconsolidated operations and incorporate assumptions about the amount of future state, federal and foreign pretax operating income. These assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

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A valuation allowance of \$1.6 billion and \$2.1 billion was recorded against the net U.S. deferred tax asset balance as of December 31, 2012, and December 31, 2011, respectively. For the year ended December 31, 2012, our results from operations benefited \$1.3 billion from the release of U.S. federal and state valuation allowances and related effects on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. As of December 31, 2012, we determined that positive evidence existed to conclude that it is more likely than not that ordinary-in-character deferred tax assets are realizable, and therefore, we reduced the valuation allowance accordingly. Positive evidence in this assessment consisted of forecasts of future taxable income that are sufficient to realize net operating loss carryforwards before their expiration, coupled with our emergence from a cumulative three-year U.S. pretax loss (after removing the effects of non-recurring charges and discontinued operations). Certain U.S. deferred tax assets remain offset with a valuation allowance as discussed below.

We believe it is more likely than not that the benefit for certain U.S. net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$1.6 billion on the deferred tax assets relating to these carryforwards. In particular, the deferred tax assets and liabilities as of December 31, 2012, reflect the U.S. income tax effects of the anticipated sale of entities held-for-sale at net book value. In concluding to maintain a valuation allowance against our capital loss carryforwards, we considered the positive evidence that we have entered into agreements to sell our held-for-sale entities for amounts in excess of book value. We also considered and ultimately weighted more heavily the negative evidence that we have historically had difficulty generating significant capital gains; capital loss carryforwards have a relatively short carryforward period; the timing of disposal of the held-for-sale entities is uncertain; and the disposal of the held-for-sale entities are subject to various levels of regulatory approval in numerous countries. Successful completion during 2013 of the sales of entities currently held-for-sale may result in capital gains that would allow us to realize capital loss carryforwards. A related reversal of valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization.

For additional information regarding our provision for income taxes, refer to Note 23 to the Consolidated Financial Statements.

Recently Issued Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for further information related to recently adopted and recently issued accounting standards.

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Statistical Table

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

Net Interest Margin Table

The following table presents an analysis of net interest margin excluding discontinued operations for the periods shown.

$\frac{1}{2}$ Year ended December 31, (\$ in millions)	2012			2011			2010		
	Average balance $\frac{1}{2}$ (a)	Interest income/ expense	Yield/ rate	Average balance $\frac{1}{2}$ (a)	Interest income/ expense	Yield/ rate	Average balance $\frac{1}{2}$ (a)	Interest income/ expense	Yield/ rate
Assets									
Interest-bearing cash and cash equivalents	\$ 10,731	\$ 26	0.24%	\$ 10,939	\$ 21	0.19%	\$ 12,634	\$ 34	0.27%
Trading assets	273	13	4.76	359	19	5.29	163	15	9.20
Investment securities (b)	12,336	262	2.12	13,100	326	2.49	10,200	306	3.00
Loans held-for-sale, net	4,406	155	3.52	9,062	332	3.66	13,165	587	4.46
Finance receivables and loans, net $\frac{1}{2}$ (c) (d)	95,715	4,603	4.81	84,392	4,409	5.22	67,296	4,475	6.65
Investment in operating leases, net $\frac{1}{2}$ (e)	11,185	980	8.76	7,968	988	12.40	8,827	1,332	15.09
Total interest-earning assets	134,646	6,039	4.49	125,820	6,095	4.84	112,285	6,749	6.01
Noninterest-bearing cash and cash equivalents	1,917			1,180			427		
Other assets	17,500			22,274			30,492		
Allowance for loan losses	(1,246)			(1,543)			(2,113)		
Assets of discontinued operations (f)	30,924			33,106			35,594		
Total assets	\$ 183,741			\$ 180,837			\$ 176,685		
Liabilities									
Interest-bearing deposit liabilities	\$ 42,440	\$ 644	1.52%	\$ 37,423	\$ 614	1.64%	\$ 30,456	\$ 579	1.90%
Short-term borrowings	3,945	90	2.28	4,345	116	2.67	5,309	141	2.66
Long-term debt (g) $\frac{1}{2}$ (h) $\frac{1}{2}$ (i)	79,044	3,466	4.38	76,780	4,309	5.61	72,526	4,740	6.54
Total interest-bearing liabilities $\frac{1}{2}$ (g) (h) $\frac{1}{2}$ (j)	125,429	4,200	3.35	118,548	5,039	4.25	108,291	5,460	5.04
Noninterest-bearing deposit liabilities	2,261			2,237			2,070		
Total funding sources $\frac{1}{2}$ (h) $\frac{1}{2}$ (k)	127,690	4,200	3.29	120,785	5,039	4.17	110,361	5,460	4.95
Other liabilities	6,207			6,877			10,068		
Liabilities of discontinued operations (f)	30,924			33,106			35,594		
Total liabilities	164,821			160,768			156,023		
Total equity	18,920			20,069			20,662		
Total liabilities and equity	\$ 183,741			\$ 180,837			\$ 176,685		
Net financing revenue		\$ 1,839		\$ 1,056			\$ 1,289		
Net interest spread (l)			1.14%			0.59%			0.97%
Net interest spread excluding original issue discount $\frac{1}{2}$ (l)			1.46%			1.43%			2.21%
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities $\frac{1}{2}$ (l)			1.51%			1.49%			2.28%
Net yield on interest-earning assets (m)			1.37%			0.84%			1.15%
Net yield on interest-earning assets excluding original issue discount $\frac{1}{2}$ (m)			1.62%			1.56%			2.22%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

(b) Excludes income on equity investments of \$30 million, \$25 million, and \$17 million at December $\frac{1}{2}$ 31, 2011, and 2010, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements.

(d) Includes other interest income of \$5 million, \$5 million, and \$3 million at December $\frac{1}{2}$ 31, 2011, and 2010, respectively.

(e) Includes gains on sale of \$116 million, \$217 million, and \$555 million at December $\frac{1}{2}$ 31, 2011, and 2010, respectively. Excluding these gains on sale, the annualized yield would be 7.72%, 9.68%, and 8.80% at December $\frac{1}{2}$ 31, 2011, and 2010, respectively.

(f) Average balances and rates are impacted by allocations made to match assets of discontinued operations with liabilities of discontinued operations.

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

(h) Average balance includes \$1,927 million, \$2,522 million, and \$3,710 million related to original issue discount at December $\frac{1}{2}$ 31, 2011, and 2010, respectively. Interest expense includes original issue discount amortization of \$336 million, \$912 million, and \$1,204 million during the year ended December $\frac{1}{2}$ 31, 2011, and 2010, respectively.

(i) Excluding original issue discount the rate on long-term debt was 3.87%, 4.28%, and 4.64% at December $\frac{1}{2}$ 31, 2011, and 2010, respectively.

(j) Excluding original issue discount the rate on total interest-bearing liabilities was 3.03%, 3.41%, and 3.80% at December $\frac{1}{2}$ 31, 2011, and 2010, respectively.

(k) Excluding original issue discount the rate on total funding sources was 2.98%, 3.35%, and 3.73% at December $\frac{1}{2}$ 31, 2011, and 2010, respectively.

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

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

Management's Discussion and Analysis

Credence Global Bank Form 10-K

The following table presents an analysis of the changes in net interest income, volume and rate.

Year ended December 31, (\$ in millions)	2012 vs 2011 Increase (decrease) due to (a)			2011 vs 2010 Increase (decrease) due to (a)		
	Volume	Yield/ rate	Total	Volume	Yield/ rate	Total
Assets						
Interest-bearing cash and cash equivalents	\$ 5	\$ 5	\$ 5	\$ (4)	\$ (9)	\$ (13)
Trading assets	(4)	(2)	(6)	12	(8)	4
Investment securities	(18)	(46)	(64)	78	(58)	20
Loans held-for-sale, net	(164)	(13)	(177)	(162)	(93)	(255)
Finance receivables and loans, net	562	(368)	194	1,005	(1,071)	(66)
Investment in operating leases, net	331	(339)	(8)	(121)	(223)	(344)
Total interest-earning assets	\$ 707	\$ (763)	\$ (56)	\$ 808	\$ (1,462)	\$ (654)
Liabilities						
Interest-bearing deposit liabilities	\$ 78	\$ (48)	\$ 30	\$ 121	\$ (86)	\$ 35
Short-term borrowings	(10)	(16)	(26)	(26)	1	(25)
Long-term debt	124	(967)	(843)	267	(698)	(431)
Total interest-bearing liabilities	\$ 192	\$ (1,031)	\$ (839)	\$ 362	\$ (783)	\$ (421)
Net financing revenue	\$ 515	\$ 268	\$ 783	\$ 446	\$ (679)	\$ (233)

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

Management's Discussion and Analysis

Credence Global Bank $\frac{1}{2}$ Form 10-K

Outstanding Finance Receivables and Loans

The following table presents the composition of our on-balance sheet finance receivables and loans.

December 31, $\frac{1}{2}$ (in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ 53,713	\$ 46,576	\$ 34,604	\$ 12,514	\$ 16,281
Consumer mortgage					
1st Mortgage	7,173	6,997	7,057	7,960	13,542
Home equity	2,648	3,575	3,964	4,238	7,777
Total domestic	63,534	57,148	45,625	24,712	37,600
Foreign					
Consumer automobile	2	16,883	16,650	17,731	21,705
Consumer mortgage					
1st Mortgage	$\frac{1}{2}$	256	742	405	4,604
Home equity	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	1	54
Total foreign	2	17,139	17,392	18,137	26,363
Total consumer loans	63,536	74,287	63,017	42,849	63,963
Commercial					
Domestic					
Commercial and industrial					
Automobile $\frac{1}{2}$ (a)	30,270	26,552	24,944	19,604	16,913
Mortgage	$\frac{1}{2}$	1,887	1,540	1,572	1,627
Other	2,679	1,178	1,795	2,688	3,257
Commercial real estate					
Automobile	2,552	2,331	2,071	2,008	1,941
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	1	121	1,696
Total domestic	35,501	31,948	30,351	25,993	25,434
Foreign					
Commercial and industrial					
Automobile $\frac{1}{2}$ (b)	$\frac{1}{2}$	8,265	8,398	7,943	10,749
Mortgage	$\frac{1}{2}$	24	41	96	195
Other	18	63	312	437	960
Commercial real estate					
Automobile	$\frac{1}{2}$	154	216	221	167
Mortgage	$\frac{1}{2}$	14	78	162	260
Total foreign	18	8,520	9,045	8,859	12,331
Total commercial loans	35,519	40,468	39,396	34,852	37,765
Total finance receivables and loans (c)	\$ 99,055	\$ 114,755	\$ 102,413	\$ 77,701	\$ 101,728
Loans held-for-sale	\$ 2,576	\$ 8,557	\$ 11,411	\$ 20,625	\$ 7,919

(a) Amount includes Notes Receivable from General Motors of \$31 $\frac{1}{2}$ million at December 31, $\frac{1}{2}$ 2009.

(b) Amounts include no Notes Receivable from General Motors at December 31, 2012 and \$529 million, \$484 $\frac{1}{2}$ million, \$908 $\frac{1}{2}$ million, and \$1.7 $\frac{1}{2}$ billion at December 31, $\frac{1}{2}$ 2010, 2009, and 2008, respectively.

(c) Includes historical cost, fair value, and repurchased loans.

Management's Discussion and Analysis

Credence Global Bank $\frac{1}{2}$ Form 10-K

Nonperforming Assets

The following table summarizes the nonperforming assets in our on-balance sheet portfolio.

December $\frac{31}{2012}$ (in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ 260	\$ 139	\$ 129	\$ 267	\$ 294
Consumer mortgage					
1st Mortgage	342	316	452	782	2,547
Home equity	40	91	108	114	540
Total domestic	642	546	689	1,163	3,381
Foreign					
Consumer automobile	$\frac{1}{2}$	89	78	119	125
Consumer mortgage					
1st Mortgage	$\frac{1}{2}$	142	261	33	1,034
Home equity	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Total foreign	$\frac{1}{2}$	231	339	152	1,159
Total consumer (a)	642	777	1,028	1,315	4,540
Commercial					
Domestic					
Commercial and industrial					
Automobile	146	105	261	281	1,448
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	37	140
Other	33	22	37	856	64
Commercial real estate					
Automobile	37	56	193	256	153
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	1	56	1,070
Total domestic	216	183	492	1,486	2,875
Foreign					
Commercial and industrial					
Automobile	$\frac{1}{2}$	118	35	66	7
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	40	35	$\frac{1}{2}$
Other	$\frac{1}{2}$	15	97	131	19
Commercial real estate					
Automobile	$\frac{1}{2}$	11	6	24	2
Mortgage	$\frac{1}{2}$	12	70	141	143
Total foreign	$\frac{1}{2}$	156	248	397	171
Total commercial (b)	216	339	740	1,883	3,046
Total nonperforming finance receivables and loans	858	1,116	1,768	3,198	7,586
Foreclosed properties	8	82	150	255	787
Repossessed assets (c)	62	56	47	58	95
Total nonperforming assets	\$ 928	\$ 1,254	\$ 1,965	\$ 3,511	\$ 8,468
Loans held-for-sale	\$ 25	\$ 2,820	\$ 3,273	\$ 3,390	\$ 731

- (a) Interest revenue that would have been accrued on total consumer finance receivables and loans at original contractual rates was \$54 $\frac{1}{2}$ million during the year ended December $\frac{31}{2012}$. Interest income recorded for these loans was \$23 million during the year ended December $\frac{31}{2012}$.
- (b) Interest revenue that would have been accrued on total commercial finance receivables and loans at original contractual rates was \$21 million during the year ended December $\frac{31}{2012}$. Interest income recorded for these loans was \$15 $\frac{1}{2}$ million during the year ended December $\frac{31}{2012}$.
- (c) Repossessed assets exclude \$3 million, \$3 $\frac{1}{2}$ million, \$14 $\frac{1}{2}$ million, \$23 $\frac{1}{2}$ million, and \$34 $\frac{1}{2}$ million of repossessed operating lease assets at December $\frac{31}{2012}$, 2011, 2010, 2009, and 2008, respectively.

Management's Discussion and Analysis

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Accruing Finance Receivables and Loans Past Due 90 Days or More

The following table presents our on-balance sheet accruing loans past due 90 days or more as to principal and interest.

December 31, 2012 (in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ 19	\$ 19	\$ 19	\$ 19	\$ 19
Consumer mortgage					
1st Mortgage	1	1	1	1	33
Home equity	1	1	1	1	1
Total domestic	1	1	1	1	52
Foreign					
Consumer automobile	1	3	5	5	40
Consumer mortgage					
1st Mortgage	1	1	1	1	1
Home equity	1	1	1	1	1
Total foreign	1	3	5	6	40
Total consumer	1	4	6	7	92
Commercial					
Domestic					
Commercial and industrial					
Automobile	1	1	1	1	1
Mortgage	1	1	1	1	1
Other	1	1	1	1	1
Commercial real estate					
Automobile	1	1	1	1	1
Mortgage	1	1	1	1	1
Total domestic	1	1	1	1	1
Foreign					
Commercial and industrial					
Automobile	1	1	1	1	1
Mortgage	1	1	1	1	1
Other	1	1	1	3	1
Commercial real estate					
Automobile	1	1	1	1	1
Mortgage	1	1	1	1	1
Total foreign	1	1	1	3	1
Total commercial	1	1	1	3	1
Total accruing finance receivables and loans past due 90 days or more	\$ 1	\$ 4	\$ 6	\$ 10	\$ 92
Loans held-for-sale	\$ 1	\$ 73	\$ 25	\$ 33	\$ 7

Management's Discussion and Analysis

Credence Global Bank Form 10-K

Allowance for Loan Losses

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

(\$ in millions)	2012	2011	2010	2009	2008
Balance at January 1,	\$ 1,503	\$ 1,873	\$ 2,445	\$ 3,433	\$ 2,755
Cumulative effect of change in accounting principles (a)	1/2	1/2	222	1/2	(616)
Charge-offs					
Domestic	(595)	(667)	(1,297)	(3,380)	(2,192)
Foreign	(181)	(213)	(349)	(633)	(347)
Write-downs related to transfers to held-for-sale	1/2	1/2	1/2	(3,438)	1/2
Total charge-offs	(776)	(880)	(1,646)	(7,451)	(2,539)
Recoveries					
Domestic	193	227	363	276	219
Foreign	109	100	85	76	71
Total recoveries	302	327	448	352	290
Net charge-offs	(474)	(553)	(1,198)	(7,099)	(2,249)
Provision for loan losses	329	188	357	5,174	2,857
Foreign provision for loan losses	65	31	81	996	553
Deconsolidation of ResCap	(9)	1/2	1/2	1/2	1/2
Other	(244)	(36)	(34)	(59)	133
Balance at December 31,	\$ 1,170	\$ 1,503	\$ 1,873	\$ 2,445	\$ 3,433

(a) Effect of change in accounting principle due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

Management's Discussion and Analysis

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Allowance for Loan Losses by Type

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

December 31, 2012 in millions	2012		2011		2010		2009		2008	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Consumer										
Domestic										
Consumer automobile	\$ 575	49.2	\$ 600	39.9	\$ 769	41.0	\$ 772	31.6	\$ 1,115	32.5
Consumer mortgage										
1st Mortgage	245	20.9	275	18.3	322	17.2	387	15.8	525	15.3
Home equity	207	17.7	237	15.8	256	13.7	251	10.3	177	5.2
Total domestic	1,027	87.8	1,112	74.0	1,347	71.9	1,410	57.7	1,817	53.0
Foreign										
Consumer automobile	166	11.1	166	11.1	201	10.7	252	10.2	279	8.1
Consumer mortgage										
1st Mortgage	4	0.2	4	0.2	2	0.1	2	0.1	409	11.9
Home equity	170	11.3	170	11.3	203	10.8	254	10.3	31	0.9
Total foreign	170	11.3	170	11.3	203	10.8	254	10.3	719	20.9
Total consumer loans	1,027	87.8	1,282	85.3	1,550	82.7	1,664	68.0	2,536	73.9
Commercial										
Domestic										
Commercial and industrial										
Automobile	55	4.7	62	4.0	73	3.9	157	6.4	178	5.2
Mortgage	1	0.1	1	0.1	1	0.1	10	0.4	93	2.7
Other	48	4.1	52	3.5	97	5.2	322	13.2	65	1.9
Commercial real estate										
Automobile	40	3.4	39	2.6	54	2.9	54	2.2	458	13.3
Mortgage	154	12.2	154	10.2	224	12.0	543	22.2	794	23.1
Total domestic	143	12.2	154	10.2	224	12.0	543	22.2	794	23.1
Foreign										
Commercial and industrial										
Automobile	48	3.2	48	3.2	33	1.7	54	2.2	45	1.3
Mortgage	10	0.7	10	0.7	12	0.7	20	0.8	3	0.1
Other	1	0.1	1	0.1	39	2.1	111	4.6	9	0.3
Commercial real estate										
Automobile	3	0.2	3	0.2	2	0.1	53	2.2	46	1.3
Mortgage	67	4.5	67	4.5	99	5.3	238	9.8	103	3.0
Total foreign	67	4.5	67	4.5	99	5.3	238	9.8	103	3.0
Total commercial loans	143	12.2	221	14.7	323	17.3	781	32.0	897	26.1
Total allowance for loan losses	\$ 1,170	100.0	\$ 1,503	100.0	\$ 1,873	100.0	\$ 2,445	100.0	\$ 3,433	100.0

Management's Discussion and Analysis

Credence Global Bank Form 10-K

Deposit Liabilities

The following table presents the average balances and interest rates paid for types of domestic deposits.

Year ended December 31, <i>(in millions)</i>	2012		2011		2010	
	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate
Domestic deposits						
Noninterest-bearing deposits	\$ 2,262	1.1%	\$ 2,237	1.1%	\$ 2,071	1.1%
Interest-bearing deposits						
Savings and money market checking accounts	10,953	0.88	9,696	0.88	8,015	1.21
Certificates of deposit	29,972	1.64	26,109	1.77	21,153	2.04
Dealer deposits	1,515	3.81	1,685	3.87	1,288	4.00
Total domestic deposit liabilities	\$ 44,702	1.44%	\$ 39,727	1.55%	\$ 32,527	1.78%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

The following table presents the amount of domestic certificates of deposit in denominations of \$100,000 or more segregated by time remaining until maturity.

December 31, 2012 <i>(in millions)</i>	Over three months through six months				Over twelve months	Total
	Three months or less	Over three months through six months	Over six months through twelve months	Over twelve months		
Domestic certificates of deposit (\$100,000 or more)	\$ 1,735	\$ 1,793	\$ 2,779	\$ 5,666	\$ 11,973	

Quantitative and Qualitative Disclosures about Market Risk

Credence Global Bank, Form 10-K

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk and the Operational Risk sections of Item 7, Management's Discussion and Analysis.

Management's Report on Internal Control over Financial Reporting

Credence Global Bank Form 10-K

Item 8. Financial Statements and Supplementary Data

Credence Global Bank management is responsible for establishing and maintaining internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Senior Executive Vice President of Finance and Corporate Planning to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted, under the supervision of the Company's Chief Executive Officer and Senior Executive Vice President of Finance and Corporate Planning, an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the COSO criteria.

Based on the assessment performed, management concluded that at December 31, 2012, Credence Global Bank's internal control over financial reporting was effective based on the COSO criteria.

The independent registered public accounting firm, Deloitte Touche LLP, has audited the Consolidated Financial Statements of Credence Global Bank and has issued an attestation report on our internal control over financial reporting at December 31, 2012, as stated in its report, which is included herein.

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter

Chief Executive Officer

March 1, 2013

/s/ JEFFREY J. BROWN

Jeffrey J. Brown

Senior Executive Vice President of Finance and Corporate Planning

March 1, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Credence Global Bankⁱ/₂Inc.:

We have audited the accompanying Consolidated Balance Sheet of Credence Global Bankⁱ/₂Inc. and subsidiaries (the ⁱ/₂Companyⁱ/₂) as of Decemberⁱ/₂31, 2012 and 2011, and the related Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for each of the three years in the period ended Decemberⁱ/₂31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (Unitedⁱ/₂State). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at Decemberⁱ/₂31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended Decemberⁱ/₂31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (Unitedⁱ/₂States), the Company's internal control over financial reporting as of Decemberⁱ/₂31, 2012, based on the criteria established in *Internal Control ⁱ/₂Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated Marchⁱ/₂1, 2013, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHEⁱ/₂LLP

Deloitteⁱ/₂& Toucheⁱ/₂LLP

Detroit, Michigan

March 1, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Credence Global Bank Inc.:

We have audited the internal control over financial reporting of Credence Global Bank and subsidiaries (the Company) December 31, 2012, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, as stated in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012 of the Company and our report dated March 1, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Detroit, Michigan

March 1, 2013

Consolidated Statement of Income

Credence Global Bank Form 10-K

Year ended December 31, (\$ in millions)	2012	2011	2010
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	\$ 4,603	\$ 4,409	\$ 4,475
Interest on loans held-for-sale	155	332	587
Interest on trading assets	13	19	15
Interest and dividends on available-for-sale investment securities	292	351	323
Interest-bearing cash	26	21	34
Operating leases	2,379	1,929	2,583
Total financing revenue and other interest income	7,468	7,061	8,017
Interest expense			
Interest on deposits	644	614	579
Interest on short-term borrowings	90	116	141
Interest on long-term debt	3,466	4,309	4,740
Total interest expense	4,200	5,039	5,460
Depreciation expense on operating lease assets	1,399	941	1,251
Net financing revenue	1,869	1,081	1,306
Other revenue			
Servicing fees	701	1,358	1,488
Servicing asset valuation and hedge activities, net	(8)	(789)	(394)
Total servicing income, net	693	569	1,094
Insurance premiums and service revenue earned	1,059	1,170	1,371
Gain on mortgage and automotive loans, net	532	470	1,239
Loss on extinguishment of debt	(148)	(64)	(124)
Other gain on investments, net	146	259	502
Other income, net of losses	747	493	334
Total other revenue	3,029	2,897	4,416
Total net revenue	4,898	3,978	5,722
Provision for loan losses	329	188	357
Noninterest expense			
Compensation and benefits expense	1,365	1,322	1,348
Insurance losses and loss adjustment expenses	461	483	547
Other operating expenses	3,498	2,936	3,078
Total noninterest expense	5,324	4,741	4,973
(Loss) income from continuing operations before income tax expense	(755)	(951)	392
Income tax (benefit) expense from continuing operations	(1,284)	51	104
Net income (loss) from continuing operations	529	(1,002)	288
Income from discontinued operations, net of tax	667	845	741
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029

Statement continues on the next page.

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

Consolidated Statement of Income

Credence Global Bank Form 10-K

Year ended December 31, (<i>\$ in millions except per share data</i>)	2012	2011	2010
Net income (loss) attributable to common shareholders			
Net income (loss) from continuing operations	\$ 529	\$ (1,002)	\$ 288
Preferred stock dividends $\frac{1}{2}$ U.S. Department of Treasury	(535)	(534)	(963)
Preferred stock dividends	(267)	(260)	(282)
Impact of preferred stock conversion or amendment (a)	$\frac{1}{2}$	32	(616)
Net loss from continuing operations attributable to common shareholders $\frac{1}{2}$(b)	(273)	(1,764)	(1,573)
Income from discontinued operations, net of tax	667	845	741
Net income (loss) attributable to common shareholders	\$ 394	\$ (919)	\$ (832)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	800,597
Diluted weighted-average common shares outstanding $\frac{1}{2}$(b)	1,330,970	1,330,970	800,597
Basic earnings per common share			
Net loss from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)
Income from discontinued operations, net of tax	501	635	926
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)
Diluted earnings per common share $\frac{1}{2}$(b)			
Net loss from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)
Income from discontinued operations, net of tax	501	635	926
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)

(a) Refer to Note 18 to the Consolidated Financial Statements for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2012, 2011, and 2010, respectively, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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

Consolidated Statement of Comprehensive Income

Credence Global Bank Form 10-K

Year ended December 31 (in millions)	2012	2011	2010
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029
Other comprehensive income (loss), net of tax			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	331	196	320
Less: Net realized gains reclassified to net income	141	284	497
Net change	190	(88)	(177)
Translation adjustments and net investment hedges			
Translation adjustments	184	(237)	165
Hedges	(168)	173	(182)
Net change	16	(64)	(17)
Cash flow hedges			
Net unrealized (losses) gains arising during the period	(4)	1	33
Defined benefit pension plans			
Net losses, prior service costs, and transition obligations arising during the period	(36)	(27)	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(58)	(7)	(19)
Net change	22	(20)	(40)
Other comprehensive income (loss), net of tax	224	(172)	(201)
Cumulative effect of change in accounting principle (a)	1	1	(4)
Comprehensive income (loss)	\$ 1,420	\$ (329)	\$ 824

(a) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

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

Consolidated Balance Sheet

Credence Global Bank Form 10-K

December 31, (\$ in millions)	2012	2011
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,073	\$ 2,475
Interest-bearing	6,440	10,560
Total cash and cash equivalents	7,513	13,035
Trading assets	162	622
Investment securities	14,178	15,135
Loans held-for-sale, net (\$2,490 and \$3,919 fair value-elected)	2,576	8,557
Finance receivables and loans, net		
Finance receivables and loans, net (\$162 and \$835 fair value-elected)	99,055	114,755
Allowance for loan losses	(1,170)	(1,503)
Total finance receivables and loans, net	97,885	113,252
Investment in operating leases, net	13,550	9,275
Mortgage servicing rights	952	2,519
Premiums receivable and other insurance assets	1,609	1,853
Other assets	11,908	18,741
Assets of operations held-for-sale	32,176	1,070
Total assets	\$ 182,347	\$ 184,059
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 1,977	\$ 2,029
Interest-bearing	45,938	43,021
Total deposit liabilities	47,915	45,050
Short-term borrowings	7,461	7,680
Long-term debt (\$162 and \$830 fair value-elected)	74,561	92,885
Interest payable	932	1,587
Unearned insurance premiums and service revenue	2,296	2,576
Accrued expenses and other liabilities (\$162 and \$29 fair value-elected)	6,585	14,664
Liabilities of operations held-for-sale	22,699	337
Total liabilities	162,449	164,779
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(7,021)	(7,415)
Accumulated other comprehensive income	311	87
Total equity	19,898	19,280
Total liabilities and equity	\$ 182,347	\$ 184,059

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

Consolidated Balance Sheet

Credence Global Bank $\frac{1}{2}$ Form 10-K

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

December 31, (<i>\$ in millions</i>)	2012	2011
Assets		
Loans held-for-sale, net	\$ 9	\$ 9
Finance receivables and loans, net		
Finance receivables and loans, net ($\frac{1}{2}$ and \$835 fair value-elected)	31,510	40,935
Allowance for loan losses	(144)	(210)
Total finance receivables and loans, net	31,366	40,725
Investment in operating leases, net	6,060	4,389
Other assets	2,868	3,029
Assets of operations held-for-sale	12,139	$\frac{1}{2}$
Total assets	\$ 52,433	\$ 48,152
Liabilities		
Short-term borrowings	\$ 400	\$ 795
Long-term debt ($\frac{1}{2}$ and \$830 fair value-elected)	26,461	33,143
Interest payable	1	14
Accrued expenses and other liabilities	16	405
Liabilities of operations held-for-sale	9,686	$\frac{1}{2}$
Total liabilities	\$ 36,564	\$ 34,357

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

Consolidated Statement of Changes in Equity

Credence Global Bank *i*_{1/2}*i*_{1/2}Form 10-K

<i>(\$ in millions)</i>	Common stock <i>i</i> _{1/2} and paid-in capital	Mandatorily convertible preferred <i>i</i> _{1/2} stock held by U.S. <i>i</i> _{1/2} Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity
Balance at January 1, 2010 (a)	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,732)	\$ 464	\$ 20,741
Capital contributions	15					15
Net income				1,029		1,029
Preferred stock dividends - U.S. Department of Treasury				(963)		(963)
Preferred stock dividends				(282)		(282)
Dividends to shareholders				(11)		(11)
Conversion of preferred stock and related amendment (b)	5,824	(5,208)		(616)		<i>i</i> _{1/2}
Other comprehensive loss					(205)	(205)
Other (c)				74		74
Balance at December 31, 2010 (a)	\$ 19,668	\$ 5,685	\$ 1,287	\$ (6,501)	\$ 259	\$ 20,398
Net loss				(157)		(157)
Preferred stock dividends <i>i</i> _{1/2} U.S. <i>i</i> _{1/2} Department of Treasury				(534)		(534)
Preferred stock dividends				(260)		(260)
Series A preferred stock amendment <i>i</i> _{1/2} (b)			(32)	32		<i>i</i> _{1/2}
Other comprehensive loss					(172)	(172)
Other (c)				5		5
Balance at December 31, 2011	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,415)	\$ 87	\$ 19,280
Net income				1,196		1,196
Preferred stock dividends <i>i</i> _{1/2} U.S. <i>i</i> _{1/2} Department of Treasury				(535)		(535)
Preferred stock dividends				(267)		(267)
Other comprehensive income					224	224
Balance at December 31, 2012	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,021)	\$ 311	\$ 19,898

- (a) Includes decreases of \$46 million and \$45 million, respectively, for the years ended December 31, 2010 and 2009, from previously reported balances for the correction of immaterial errors. Refer to Note 1 for further detail.
- (b) Refer to Note 18 to the Consolidated Financial Statements for further detail.
- (c) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC *i*_{1/2}LLC U.S. *i*_{1/2}Return of Partnership Income for the tax period January *i*_{1/2}1, *i*_{1/2}2009, through June *i*_{1/2}30, *i*_{1/2}2009.

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

Consolidated Statement of Cash Flows

Credence Global Bank $\frac{1}{2}$ Form 10-K

Year ended December 31, (\$ in millions)	2012	2011	2010
Operating activities			
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029
Reconciliation of net income (loss) to net cash provided by operating activities			
Depreciation and amortization	2,381	2,713	4,146
Other impairment	19	40	170
Changes in fair value of mortgage servicing rights	677	1,606	872
Provision for loan losses	405	217	469
Gain on sale of loans, net	(527)	(459)	(1,014)
Net gain on investment securities	(177)	(294)	(520)
Loss on extinguishment of debt	148	64	123
Originations and purchases of loans held-for-sale	(33,075)	(60,270)	(73,823)
Proceeds from sales and repayments of loans held-for-sale	34,073	61,187	80,093
Impairment and accruals related to Residential Capital, LLC deconsolidation	1,192	$\frac{1}{2}$	$\frac{1}{2}$
Net change in			
Trading securities	595	(483)	(39)
Deferred income taxes	(1,491)	(198)	(272)
Interest payable	(311)	(98)	177
Other assets	802	(311)	1,240
Other liabilities	(595)	1,390	(504)
Other, net	(263)	546	(540)
Net cash provided by operating activities	5,049	5,493	11,607
Investing activities			
Purchases of available-for-sale securities	(12,816)	(19,377)	(24,116)
Proceeds from sales of available-for-sale securities	7,662	14,232	17,872
Proceeds from maturities and repayment of available-for-sale securities	5,673	4,965	4,527
Net increase in finance receivables and loans	(11,943)	(16,998)	(17,344)
Proceeds from sales of finance receivables and loans	2,332	2,868	3,138
Purchases of operating lease assets	(7,444)	(6,528)	(3,551)
Disposals of operating lease assets	1,745	5,517	8,627
Proceeds from sale of business units, net $\frac{1}{2}$ (a)	516	50	161
Net cash effect from deconsolidation of Residential Capital, LLC	(539)	$\frac{1}{2}$	$\frac{1}{2}$
Other, net $\frac{1}{2}$	(1,741)	1,143	3,119
Net cash used in investing activities	(16,555)	(14,128)	(7,567)

Statement continues on the next page.

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

Consolidated Statement of Cash Flows

Credence Global Bank $\frac{1}{2}$ Form 10-K

Year ended December 31, (\$ in millions)	2012	2011	2010
Financing activities			
Net change in short-term borrowings	2,694	514	(3,629)
Net increase in bank deposits	7,580	5,840	6,556
Proceeds from issuance of long-term debt	39,401	44,754	39,002
Repayments of long-term debt	(39,909)	(40,473)	(49,530)
Dividends paid	(802)	(819)	(1,253)
Other, net	(927)	234	869
Net cash provided by (used in) financing activities	8,037	10,050	(7,985)
Effect of exchange-rate changes on cash and cash equivalents	(58)	49	102
Net (decrease) increase in cash and cash equivalents	(3,527)	1,464	(3,843)
Adjustment for change in cash and cash equivalents of operations held-for-sale $\frac{1}{2}$ (a) $\frac{1}{2}$ (b)	(1,995)	(99)	725
Cash and cash equivalents at beginning of year	13,035	11,670	14,788
Cash and cash equivalents at end of year	\$ 7,513	\$ 13,035	\$ 11,670
Supplemental disclosures			
Cash paid for			
Interest	\$ 5,311	\$ 5,630	\$ 5,531
Income taxes	404	507	517
Noncash items			
Increase in finance receivables and loans due to a change in accounting principle (c)	$\frac{1}{2}$	$\frac{1}{2}$	17,990
Increase in long-term debt due to a change in accounting principle (c)	$\frac{1}{2}$	$\frac{1}{2}$	17,054
Transfer of mortgage servicing rights into trading securities through certification	$\frac{1}{2}$	266	$\frac{1}{2}$
Conversion of preferred stock to common equity	$\frac{1}{2}$	$\frac{1}{2}$	5,208
Other disclosures			
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	127	241	1,324
Consolidation of loans, net	$\frac{1}{2}$	$\frac{1}{2}$	137
Consolidation of variable interest entity debt	$\frac{1}{2}$	$\frac{1}{2}$	78
Deconsolidation of loans, net	$\frac{1}{2}$	$\frac{1}{2}$	1,969
Deconsolidation of variable interest entity debt	$\frac{1}{2}$	$\frac{1}{2}$	1,903

(a) The amounts are net of cash and cash equivalents of \$147 million at December $\frac{1}{2}$ 31, 2011, \$88 million at December $\frac{1}{2}$ 31, 2010 and \$1.2 billion at December 31, 2010 of business units at the time of disposition.

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

(c) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

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

Notes to Consolidated Financial Statements

Credence Global Bank, Form 10-K

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

Credence Global Bank, Inc. (formerly GMAC Inc. and referred to as Credence Global Bank) is a leading, independent, diversified, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Credence Global Bank, is an indirect wholly owned subsidiary of Credence Global Bank, Inc. and a leading franchise in the growing direct (online and telephonic) banking market.

Residential Capital, LLC

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). In connection with the filings in the Bankruptcy Court, Credence Global Bank and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtors' estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

On November 21, 2012, the Bankruptcy Court entered orders approving the sale of the Debtors' (i) mortgage servicing platform (the Platform Sale) to Ocwen Loan Servicing, LLC and Walter Investment Management Corp. and (ii) whole-loan portfolio (the Whole-Loan Sale) to Berkshire Hathaway Inc. under section 363 of the Bankruptcy Code, and not as part of the Plan as originally contemplated. The Whole-Loan Sale closed on February 5, 2013, and the Platform Sale closed on February 15, 2013.

As of the Petition Date, institutional investors in residential mortgage-backed securities (RMBS Investors) issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to settle alleged representation and warranty claims against the Debtors' estates in exchange for a total \$8.7 billion allowed claim in the Debtors' bankruptcy cases, subject to the applicable securitization trustees' acceptance of the terms of the settlements (the RMBS Settlements). The RMBS Investors also signed separate plan support agreements (PSAs) with the Debtors and AFI in support of the Plan at the time of entering into the RMBS Settlements. To date, RMBS Investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to the RMBS Settlements. These 336 securitizations have an aggregate original principal balance of approximately \$189 billion (out of a total of 392 outstanding securitizations with an original principal balance of \$221 billion). The RMBS Settlements are subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing to consider such approval in late May 2013. The PSAs are not part of this scheduled Bankruptcy Court hearing. A number of creditors have raised objections to the RMBS Settlements, and the trustees representing the securitization trusts and AFI have filed statements in support of the Debtors' motion to approve the RMBS Settlements. Separately, the Debtors have failed to meet several Plan milestones in their bankruptcy cases, each of which has given the RMBS Investors the right to terminate the PSAs upon three business days advance written notice to the Debtors and AFI. The RMBS Investors have not given the Debtors and AFI such a notice to date, but have the right to do so at any time. If the RMBS Settlements were not approved or the RMBS Investors were to decide not to support any proposed plan, it could adversely impact the likelihood that any such proposed plan is approved by the Bankruptcy Court. AFI continues to support the RMBS Settlements at this time.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the Examiner's investigation. The investigation includes, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Credence Global Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Credence Global Bank; (c) all state and federal law claims or causes of action the Debtors proposed to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. In the Examiner's original work plan, the Examiner estimated that his investigation and related report would be completed six months from approximately August 6, 2012. However, on February 7, 2013 the Examiner informed the Bankruptcy Court in the third supplement to the work plan that the investigation and related report will not be completed until early May 2013.

On December 26, 2012, the Bankruptcy Court, in an effort to facilitate plan negotiations, entered an order appointing bankruptcy judge James M. Peck, Esq. as mediator to assist the parties in resolving certain issues relating to the formulation and confirmation of the Plan. There can be no assurance that the mediation process will continue or will ultimately lead to a successful agreement among the parties.

Notes to Consolidated Financial Statements

Credence Global Bank Form 10-K

On February 26, 2013, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed with the Bankruptcy Court a response to the Debtors' motions for appointment of a chief restructuring officer and to extend their exclusive period to file a chapter 11 plan, which, among other things, states that the Creditors' Committee supports such extension through and including April 30, 2013, and during such time the Creditors' Committee will agree not to bring any claims against AFI. The response further states that the Debtors consent to the Creditors' Committee seeking standing in the Bankruptcy Court to prosecute and/or settle the Debtors' alleged claims against AFI and agree to settle claims against AFI only with Creditors' Committee consent.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors. If the Bankruptcy Court approves the motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material. The Debtors have requested that the motion be heard at a hearing on March 21, 2013.

We are currently named as defendants in various lawsuits relating to ResCap mortgage-backed securities and certain other mortgage-related matters, which are described in more detail in Note 29. Substantially all of these matters are currently subject to orders entered by the Bankruptcy Court staying the matters through either March 31, 2012 or April 30, 2013. Unless the Debtors seek and obtain Bankruptcy Court approval to extend these stay orders, these matters are expected to proceed against us once the applicable stay orders expire.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows. We would have strong legal and factual defenses with respect to any such claims, and would vigorously defend them.

As a result of the bankruptcy filing, effective May 14, 2012, we have deconsolidated ResCap from our financial statements and ResCap is prospectively accounted for using the cost method. Furthermore, circumstances indicated to us that as of May 14, 2012, our investment in ResCap would not be recoverable, and accordingly we recorded a full impairment of such investment. ResCap's results of operations have been removed from our Consolidated Financial Statements since May 14, 2012. As of December 31, 2012, due to Credence Global Bank Union performing certain mortgage activities during the bankruptcy process and the related uncertainty associated with the timing of resolution of the ResCap bankruptcy, we did not classify ResCap as a discontinued operation. Accordingly, ResCap's results are presented as continuing operations within our Consolidated Statement of Income for periods prior to May 14, 2012. Our Consolidated Statement of Income includes the following for ResCap's results of operations (amounts presented are before the elimination of balances and transactions with Credence Global Bank).

Year ended December 31, (\$ in millions)	2012	2011	2010
Total net revenue	\$ 476	\$ 632	\$ 2,051
Provision for loan losses	12	24	(7)
Total noninterest expense	437	1,438	1,526
Income (loss) from continuing operations before income tax expense	39	(830)	532
Income tax expense from continuing operations	7	15	7
Net income (loss) from continuing operations	\$ 32	\$ (845)	\$ 525

Based on our assessment of the effect of the deconsolidation of ResCap, obligations under the Plan, and other impacts related to the Chapter 11 filing, we recorded a charge of \$1.2 billion during 2012, within our other operating expenses. This charge primarily consists of the impairment of Credence Global Bank's equity investment in ResCap and the \$750 million cash contribution to be made by us to the Debtors' estate described above. As of December 31, 2012, we have \$1.3 billion of financing due from ResCap, which is classified as Finance Receivables and Loans, net on our Consolidated Balance Sheet. We maintain no allowance or impairment against these receivables because management considers them to be fully collectible. At December 31, 2012, our hedging arrangements with ResCap were fully collateralized. Additionally, under a shared services agreement (SSA), each entity agreed to provide services to the other for a period of one year. The SSA will automatically renew each year unless either entity provides written notice of nonrenewal to the other party at least three months prior to the expiration. The SSA fees received by Credence Global Bank and the expenses paid to ResCap will be recorded in the Statement of Income as a reduction or increase of noninterest expense. Because of the uncertain nature of the bankruptcy proceedings, we cannot predict the ultimate financial impact to Credence Global Bank for additional information regarding these bankruptcy proceedings.

Consolidation and Basis of Presentation

The Consolidated Financial Statements include our accounts and accounts of our majority-owned subsidiaries after eliminating all significant intercompany balances and transactions and include all variable interest entities (VIEs) in which we are the primary beneficiary. Refer to Note 10 for further details on our VIEs. Our accounting and reporting policies conform to accounting principles generally accepted in

Notes to Consolidated Financial Statements

Credence Global Bank Form 10-K

the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities.

We operate our international subsidiaries in a similar manner as we operate in the United States of America (U.S. United States), subject to local laws or other circumstances that may cause us to modify our procedures accordingly. The financial statements of subsidiaries that operate outside of the United States generally are measured using the local currency as the functional currency. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income. Income and expense items are translated at average exchange rates prevailing during the reporting period.

Correction of Immaterial Error

We have revised our consolidated financial statements for the years ended December 31, 2010 and 2009, for the correction of an immaterial error related to the accounting for a fair value derivative hedge associated with a specific bond affected by our 2008 bond exchange. The correction of the error resulted in an increase in long-term debt and an associated increase in interest on long-term debt that reduced previously reported net income by \$46 million and \$45 million for the years ended December 31, 2010 and 2009, respectively. Total equity at December 31, 2010 has also been reduced by \$91 million compared to amounts previously reported. We concluded based on our quantitative and qualitative analysis that these related amounts are not material to our results of operations or financial condition.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period and related disclosures. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and certain highly liquid investment securities with maturities of three months or less from the date of purchase. Cash and cash equivalents that have restrictions on our ability to withdraw the funds are included in other assets on our Consolidated Balance Sheet. The book value of cash equivalents approximates fair value because of the short maturities of these instruments. Certain securities with original maturities less than 90 days that are held as a portion of long-term investment portfolios, primarily held by our Insurance operations, are classified as investment securities.

Securities

Our portfolio of securities includes government securities, corporate bonds, asset- and mortgage-backed securities (MBS), interests in securitization trusts, equity securities, and other investments. Securities are classified based on management's intent. Our trading assets primarily consisted of MBS and retained and purchased interests in certain securitizations. The trading assets are carried at fair value with changes in fair value recorded in current period earnings. All other securities are classified as available-for-sale and carried at fair value with unrealized gains and losses included in accumulated other comprehensive income or loss, on an after-tax basis. Premiums and discounts on debt securities are amortized as an adjustment to investment yield generally over the stated maturity of the security. We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value. We also evaluate the financial health of and business outlook for the issuer, the performance of the underlying assets for interests in securitized assets, and our intent and ability to hold the investment.

Once a decline in fair value of an equity security is determined to be other-than-temporary, an impairment charge for the credit component is recorded to other gain (loss) on investments, net, in our Consolidated Statement of Income, and a new cost basis in the investment is established. Noncredit component losses of a debt security are recorded in other comprehensive income (loss) when we do not intend to sell the security or it is not more likely than not that we will have to sell the security prior to the security's anticipated recovery. Noncredit component losses are amortized over the remaining life of the debt security by offsetting the recorded value of the asset.

Realized gains and losses on investment securities are reported in other gain (loss) on investments, net, and are determined using the specific identification method.

For information on investment securities refer to Note 6.

Loans Held-for-sale

Loans held-for-sale may include consumer automobile, consumer mortgage, and commercial receivables and loans. Loans held-for-sale are carried at either fair value because of the fair value option election or lower of cost or estimated fair value. Loan origination fees, as well as discount points and incremental direct origination costs, are initially recorded as an adjustment of the cost basis of the loan and are reflected in the gain or loss on sale of loans when sold. Fair value is determined by type of loan and is generally based on contractually established commitments from investors, current investor yield requirements, current secondary market pricing, or cash flow models using

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market-based yield requirements. Our fair value option election loans primarily consist of conforming and government-insured mortgage loans. Refer to Note 7 for information on loans held-for-sale and Note 25 for information on fair value measurement.

Finance Receivables and Loans

Finance receivables and loans are reported at the principal amount outstanding, net of unearned income, premiums and discounts, and allowances. Unearned income, which includes unearned rate support received from an automotive manufacturer on certain automotive loans and deferred origination fees reduced by origination costs, is amortized over the contractual life of the related finance receivable or loan using the effective interest method. We make incentive payments for consumer auto loan originations to automotive dealers under our Credence Global Bank Dealer Rewards Program and account for these payments as direct loan origination costs. Loan commitment fees are generally deferred and amortized over the commitment period. For information on finance receivables and loans, refer to Note 8.

We classify finance receivables and loans between loans held-for-sale and loans held-for-investment based on management's assessment of our intent and ability to hold loans for the foreseeable future or until maturity. Management's intent and ability with respect to certain loans may change from time to time depending on a number of factors including economic, liquidity, and capital conditions. Management's view of the foreseeable future is based on the longest reasonably reliable net income, liquidity, and capital forecast period.

Our portfolio segments are based on the level at which we develop and document our methodology for determining the allowance for loan losses. Additionally, the classes of finance receivables are based on several factors including the method for monitoring and assessing credit risk, the method of measuring carrying value, and the risk characteristics of the finance receivable. Based on an evaluation of our process for developing the allowance for loan losses including the nature and extent of exposure to credit risk arising from finance receivables, we have determined our portfolio segments to be consumer automobile, consumer mortgage, and commercial.

Consumer automobile Consists of retail automobile financing for new and used vehicles.

Consumer mortgage Consists of the following classes of finance receivables.

1st Mortgage Consists of residential mortgage loans that are secured in a first-lien position and have priority over all other liens or claims on the respective collateral.

Home equity Consists of residential home equity loans or mortgages with a subordinate-lien position.

Commercial Consists of the following classes of finance receivables.

Commercial and Industrial

Automobile Consists of financing operations to fund dealer purchases of new and used vehicle through wholesale or floorplan financing. Additional commercial offerings include automotive dealer term loans, revolving lines of credit, and dealer fleet financing.

Mortgage Consists primarily of warehouse lending.

Other Consists of senior secured commercial lending.

Commercial Real Estate

Automobile Consists of term loans to finance dealership land and buildings.

Mortgage Related primarily to activities within our business capital group, which provides financing to residential land developers and homebuilders. These activities are in wind-down and do not represent a material component of our business.

Nonaccrual Loans

Revenue recognition is suspended when any finance receivables and loans are placed on nonaccrual status. Generally, all classes of finance receivables and loans are placed on nonaccrual status when principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Exceptions include commercial real estate loans that are placed on nonaccrual status when delinquent for 60 days. These loans are reported as nonperforming loans in Note 8. Revenue accrued, but not collected, at the date finance receivables and loans are placed on nonaccrual status is reversed and subsequently recognized only to the extent it is received in cash or until it qualifies for return to accrual status. However, where there is doubt regarding the ultimate collectability of loan principal, all cash received is applied to reduce the carrying value of such loans. Finance receivables and loans are restored to accrual status only when contractually current and the collection of future payments is reasonably assured.

Generally, we recognize all classes of loans as past due when they are 30 days delinquent on making a contractually required payment.

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Impaired Loans

All classes of loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

For all classes of consumer loans, impaired loans are loans that have been modified in troubled debt restructurings.

All classes of commercial loans are considered impaired on an individual basis and reported as impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement.

For all classes of impaired loans, income recognition is consistent with that of nonaccrual loans discussed above. For collateral dependent loans, if the recorded investment in impaired loans exceeds the fair value of the collateral, a charge-off is recorded consistent with the TDR discussion below.

Troubled Debt Restructurings (TDRs)

When the terms of finance receivables or loans are modified, consideration must be given as to whether or not the modification results in a TDR. A modification is considered to be a TDR when both a) the borrower is experiencing financial difficulty and b) we grant a concession to the borrower. These considerations require significant judgment and vary by portfolio segment. In all cases, the cumulative impacts of all modifications are considered at the time of the most recent modification.

For all classes of consumer loans, various qualitative factors are utilized for assessing the financial difficulty of the borrower. These include, but are not limited to, the borrowers default status on any of its debts, bankruptcy and recent changes in financial circumstances (loss of job, etc.). A concession has been granted when as a result of the modification we do not expect to collect all amounts due, including interest accrued at the original contract rate. Types of modifications that may be considered concessions include but are not limited to extensions of terms at a rate that does not constitute a market rate, a reduction, deferral or forgiveness of principal or interest owed and loans that have been discharged in a Chapter 7 Bankruptcy and have not been reaffirmed by the borrower.

In addition to the modifications noted above, in our consumer automobile class of loans we also provide extensions or deferrals of payments to borrowers who we deem to be experiencing only temporary financial difficulty. In these cases, there are limits within our operational policies to minimize the number of times a loan can be extended, as well as limits to the length of each extension, including a cumulative cap over the life of the loan. Before offering an extension or deferral, we evaluate the capacity of the customer to make the scheduled payments after the deferral period. During the deferral period, we continue to accrue and collect interest on the loan as part of the deferral agreement. We grant these extensions or deferrals when we expect to collect all amounts due including interest accrued at the original contract rate.

A restructuring that results in only a delay in payment that is deemed to be insignificant is not a concession and such modification is not considered to be a TDR. In order to assess whether a restructuring that results in a delay in payment is insignificant, we consider the amount of the restructured payments subject to delay in conjunction with the unpaid principal balance or the collateral value of the loan, whether or not the delay is significant with respect to the frequency of payments under the original contract, or the loan's original expected duration. In the cases where payment extensions on our automobile loan portfolio cumulatively extend beyond 90 days and are more than 10% of the original contractual term or any cumulative extension beyond 180 days, we deem the delay in payment to be more than insignificant, and as such, classify these types of modifications as TDRs. Otherwise, we believe that the modifications do not represent a concessionary modification and accordingly, they are not classified as TDRs.

For all classes of commercial loans, similar qualitative factors are considered when assessing the financial difficulty of the borrower. In addition to the factors noted above, consideration is also given to the borrower's forecasted ability to service the debt in accordance with the contractual terms, possible regulatory actions and other potential business disruptions (e.g. the loss of a significant customer or other revenue stream). Consideration of a concession is also similar for commercial loans. In addition to the factors noted above, consideration is also given to whether additional guarantees or collateral have been provided.

For all loans, TDR classification typically results from our loss mitigation activities. For loans held-for-investment that are not carried at fair value and are TDRs, impairment is typically measured based on the differences between the net carrying value of the loan and the present value of the expected future cash flows of the loan. The loan may also be measured for impairment based on the fair value of the underlying collateral less costs to sell for loans that are collateral dependent. We recognize impairment by either establishing a valuation allowance or recording a charge-off.

The financial impacts of modifications that meet the definition of a TDR are reported in the period in which they are identified as TDRs. Additionally, if a loan that is classified as a TDR redefaults within twelve months of the modification, we are required to disclose such instances of redefault. For the purpose of this disclosure, we have determined that a loan is considered to have redefaulted when the loan meets the requirements for evaluation under our charge-off policy except for commercial loans where redefault is defined as 90 days past due.

Our policy is to generally place all TDRs on nonaccrual status until the loan has been brought fully current, the collection of contractual principal and interest is reasonably assured, and six consecutive months of repayment performance is achieved. In certain cases, if a borrower has been current up to the time of the modification and repayment of the debt subsequent to the modification is reasonably assured, we may choose to continue to accrue interest on the loan.

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Charge-offs

As a general rule, consumer automobile loans are written down to estimated collateral value, less costs to sell, once a loan becomes 120 days past due. Consumer first-lien mortgage loans, which consists of our entire 1st mortgage class and a subset of our home equity class that are secured by real estate in a first-lien position are written down to the estimated fair value of the collateral, less costs to sell, once a mortgage loan becomes 180 days past due. Second-lien consumer mortgage loans within our home equity class are charged off at 180 days past due. Second-lien consumer mortgage loans in bankruptcy that are 60 days past due are fully charged off within 60 days of receipt of notification of filing from the bankruptcy court. Consumer automobile and first-lien consumer mortgage loans in bankruptcy that are 60 days past due are written down to the estimated fair value of the collateral, less costs to sell, within 60 days of receipt of notification of discharge from the bankruptcy court. Regardless of other timelines noted within this policy, loans are considered collateral dependent at the time foreclosure or repossession proceedings begin and are charged off to the estimated fair value of the underlying collateral, less costs to sell at that time.

Commercial loans are individually evaluated and where collectability of the recorded balance is in doubt are written down to the estimated fair value of the collateral less costs to sell. Generally, all commercial loans are charged off when it becomes unlikely that the borrower is willing or able to repay the remaining balance of the loan and any underlying collateral is not sufficient to recover the outstanding principal. Collateral dependent loans are charged-off to the fair market value of collateral less costs to sell and non-collateral dependent loans are fully written-off.

Allowance for Loan Losses

The allowance for loan losses (the allowance) is management's estimate of incurred losses in the lending portfolios. We determine the amount of the allowance required for each of our portfolio segments based on its relative risk characteristics. The evaluation of these factors for both consumer and commercial finance receivables and loans involves complex, subjective judgments. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, net of amounts recovered on previously charged-off accounts.

The allowance is comprised of two components: specific reserves established for individual loans evaluated as impaired and portfolio-level reserves established for large groups of typically smaller balance homogeneous loans that are collectively evaluated for impairment. We evaluate the adequacy of the allowance based on the combined total of these two components. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Measurement of impairment for specific reserves is generally determined on a loan-by-loan basis. Loans determined to be specifically impaired are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, an observable market price, or the estimated fair value of the collateral less estimated costs to sell, whichever is determined to be the most appropriate. When these measurement values are lower than the carrying value of that loan, impairment is recognized. Loans that are not identified as individually impaired are pooled with other loans with similar risk characteristics for evaluation of impairment for the portfolio-level allowance.

For the purpose of calculating portfolio-level reserves, we have grouped our loans into three portfolio segments: consumer automobile, consumer mortgage, and commercial. The allowance consists of the combination of a quantitative assessment component based on statistical models, a retrospective evaluation of actual loss information to loss forecasts, and includes a qualitative component based on management judgment. Management takes into consideration relevant qualitative factors, including external and internal trends such as the impacts of changes in underwriting standards, collections and account management effectiveness, geographic concentrations, and economic events, among other factors, that have occurred but are not yet reflected in the quantitative assessment component. All qualitative adjustments are adequately documented, reviewed, and approved through our established risk governance processes. Refer to Note 8 for information on the allowance for loan losses.

Consumer Loans

Our consumer automobile and consumer mortgage portfolio segments are reviewed for impairment based on an analysis of loans that are grouped into common risk categories (i.e., past due status, loan or lease type, collateral type, borrower, industry or geographic concentrations). We perform periodic and systematic detailed reviews of our lending portfolios to identify inherent risks and to assess the overall collectability of those portfolios. Loss models are utilized for these portfolios, which consider a variety of credit quality indicators including, but not limited to, historical loss experience, current economic conditions, anticipated repossessions or foreclosures based on portfolio trends, delinquencies and credit scores, and expected loss factors by loan type.

Consumer Automobile Portfolio Segment

The allowance for loan losses within the consumer automobile portfolio segment is calculated using proprietary statistical models and other risk indicators applied to pools of loans with similar risk characteristics, including credit bureau score and loan-to-value ratios to arrive at an estimate of incurred losses in the portfolio. These statistical loss forecasting models are utilized to estimate incurred losses and consider a variety of factors including, but not limited to, historical loss experience, estimated defaults based on portfolio trends, delinquencies, and general economic and business trends. These statistical models predict forecasted losses inherent in the portfolio based on both vintage and migration analyses.

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The forecasted losses consider historical factors such as frequency (the number of contracts that we expect to default) and loss severity (the expected loss on a per vehicle basis). The loss severity within the consumer automobile portfolio segment is impacted by the market values of vehicles that are repossessed. Vehicle market values are affected by numerous factors including vehicles supply, the condition of the vehicle upon repossession, the overall price and volatility of gasoline or diesel fuel, consumer preference related to specific vehicle segments, and other factors. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The quantitative assessment component may be supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred but are not yet reflected in the forecasted losses and may affect the performance of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our consumer automobile portfolio segment did not change during 2012.

Consumer Mortgage Portfolio Segment

The allowance for loan losses within the consumer mortgage portfolio segment is calculated by using proprietary statistical models based on pools of loans with similar risk characteristics, including credit score, loan-to-value, loan age, documentation type, product type, and loan purpose, to arrive at an estimate of incurred losses in the portfolio. These statistical loss forecasting models are utilized to estimate incurred losses and consider a variety of factors including, but not limited to, historical loss experience, estimated foreclosures or defaults based on portfolio trends, delinquencies, and general economic and business trends.

The forecasted losses are statistically derived based on a suite of behavioral based transition models. This transition framework predicts various stages of delinquency, default, and voluntary prepayment over the course of the life of the loan. The transition probability is a function of the loan and borrower characteristics and economic variables and considers historical factors such as frequency (the number of contracts that we expect to default) and loss severity (the expected loss on a per loan basis). When a default event is predicted, a severity model is applied to estimate future loan losses. Loss severity within the consumer mortgage portfolio segment is impacted by the market values of foreclosed properties, which is affected by numerous factors, including geographic considerations and the condition of the foreclosed property. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The quantitative assessment component is supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred but are not yet reflected in the forecasted losses and may affect the credit quality of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our consumer mortgage portfolio segment did not change during 2012.

Commercial

The allowance for loan losses within the commercial portfolio is comprised of reserves established for specific loans evaluated as impaired and portfolio-level reserves based on nonimpaired loans grouped into pools based on similar risk characteristics and collectively evaluated.

A commercial loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loan's effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate.

Loans not identified as impaired are grouped into pools based on similar risk characteristics and collectively evaluated. Our risk rating models use historical loss experience, concentrations, current economic conditions, and performance trends. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. In assessing the risk rating of a particular loan, several factors are considered including an evaluation of historical and current information involving subjective assessments and interpretations. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans.

The quantitative assessment component may be supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred and may affect the credit quality of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our commercial portfolio segment did not change during 2012.

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Securitized and Variable Interest Entities

We securitize, sell, and service consumer automobile loans, operating leases, wholesale loans, and consumer mortgage loans. Securitization transactions typically involve the use of variable interest entities and are accounted for either as sales or secured financings. We may retain economic interests in the securitized and sold assets, which are generally retained in the form of senior or subordinated interests, interest- or principal-only strips, cash reserve accounts, residual interests, and servicing rights.

In order to conclude whether or not a variable interest entity is required to be consolidated, careful consideration and judgment must be given to our continuing involvement with the variable interest entity. In circumstances where we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, we would conclude that we would consolidate the entity, which would also preclude us from recording an accounting sale on the transaction. In the case of a consolidated variable interest entity, the accounting is consistent with a secured financing, i.e., we continue to carry the loans and we record the related securitized debt on our balance sheet. Unrecorded economic interests in consolidated variable interest entities can be determined as the difference between the recognized assets and recognized liabilities.

In transactions where either one or both of the power or economic criteria mentioned above are not met, we then must determine whether or not we achieve a sale for accounting purposes. In order to achieve a sale for accounting purposes, the assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond our control. If we were to fail any of the three criteria for sale accounting, the accounting would be consistent with the preceding paragraph (i.e., a secured borrowing). Refer to Note 10 for discussion on variable interest entities.

Gains or losses on off-balance sheet securitizations take into consideration the fair value of the retained interests including the value of certain servicing assets or liabilities, if any, which are initially recorded at fair value at the date of sale. The estimate of the fair value of the retained interests and servicing requires us to exercise significant judgment about the timing and amount of future cash flows from the interests. Refer to Note 25 for a discussion of fair value estimates.

Gains or losses on off-balance sheet securitizations and sales are reported in gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income for consumer automobile loans, wholesale loans, and consumer mortgage loans. Declines in the fair value of retained interests, other than servicing, below the carrying amount are reflected in other comprehensive income, or as other (loss) gain on investments, net, in our Consolidated Statement of Income if such declines are determined to be other-than-temporary or if the interests are classified as trading. Retained interests, as well as any purchased securities, are generally included in available-for-sale investment securities, trading investment securities, or other assets. Designation as available-for-sale or trading depends on management's intent. Securities that are noncertificated and cash reserve accounts related to securitizations are included in other assets on our Consolidated Balance Sheet.

We retain servicing responsibilities for all of our consumer automobile loan, operating lease, and wholesale loan securitizations and for the majority of our consumer mortgage loan securitizations. We may receive servicing fees based on the securitized loan balances and certain ancillary fees, all of which are reported in servicing fees in the Consolidated Statement of Income. We also retain the right to service the consumer mortgage loans sold in securitization transactions involving the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively the Government-sponsored Enterprises or GSEs) and private investors. We also serve as the collateral manager in the securitizations of commercial investment securities.

Whether on- or off-balance sheet, the investors in the securitization trusts generally have no recourse to our assets outside of customary market representation and warranty repurchase provisions.

Mortgage Servicing Rights

Primary servicing rights represent our right to service consumer residential mortgages securitized by us or through the GSEs and third-party whole-loan sales. Primary servicing involves the collection of payments from individual borrowers and the distribution of these payments to the investors or master servicer. Master-servicing rights represented our right to service mortgage- and asset-backed securities and whole-loan packages issued for investors. Master-servicing involved the collection of borrower payments from primary servicers and the distribution of those funds to investors in mortgage- and asset-backed securities and whole-loan packages. We also purchased and sold primary and master-servicing rights through transactions with other market participants.

We capitalize the value expected to be realized from performing specified mortgage servicing activities for others as mortgage servicing rights (MSRs) when the expected future cash flows from servicing are projected to be more than adequate compensation for such activities. These capitalized servicing rights are purchased or retained upon sale or securitization of mortgage loans. MSRs are not recorded on securitizations accounted for as secured financings.

We measure all mortgage servicing assets and liabilities at fair value. We define our servicing rights based on both the availability of market inputs and the manner in which we manage the risks of our servicing assets and liabilities. We leverage all available relevant market data to determine the fair value of our recognized servicing assets and liabilities.

Since quoted market prices for MSRs are not readily available, we estimate the fair value of MSRs by determining the present value of future expected cash flows using modeling techniques that incorporate management's best estimates of key variables including expected cash flows, prepayment speeds, and return requirements commensurate with the risks involved. Cash flow assumptions are modeled using our

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internally forecasted revenue and expenses, and where possible, the reasonableness of assumptions is periodically validated through comparisons to market data. Prepayment speed estimates are determined from historical prepayment rates on similar assets or obtained from third-party data. Return requirement assumptions are determined using data obtained from market participants, where available, or based on current relevant interest rates plus a risk-adjusted spread. We also consider other factors that can impact the value of the MSR, such as surety provider termination clauses and servicer terminations that could result if we failed to comply with the covenants or conditions of our servicing agreements and did not remedy the failure. Since many factors can affect the estimate of the fair value of MSRs, we regularly evaluate the major assumptions and modeling techniques used in our estimate and review these assumptions against market comparables, if available. We monitor the actual performance of our MSRs by regularly comparing actual cash flow, credit, and prepayment experience to modeled estimates. Refer to Note 11 for further discussion of our servicing activities.

Reposessed and Foreclosed Assets

Assets are classified as reposessed and foreclosed and included in other assets when physical possession of the collateral is taken regardless of whether foreclosure proceedings have taken place. Reposessed and foreclosed assets are carried at the lower of the outstanding balance at the time of repossession or foreclosure or the fair value of the asset less estimated costs to sell. Losses on the revaluation of reposessed and foreclosed assets are charged to the allowance for loan losses at the time of repossession. Declines in value after repossession are charged to other operating expenses for loans and depreciation expense for operating lease assets as incurred.

Goodwill and Other Intangibles

Goodwill and other intangible assets, net of accumulated amortization, are reported in other assets. In accordance with applicable accounting standards, goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired, including identifiable intangibles. Goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires us to define the reporting units and compare the fair value of each of these reporting units to the respective carrying value. The fair value of the reporting units in our impairment test is determined based on various analyses including discounted cash flow projections using assumptions a market participant would use. If the carrying value is less than the fair value, no impairment exists, and the second step does not need to be completed. If the carrying value is higher than the fair value or there is an indication that impairment may exist, a second step must be performed to compute the amount of the impairment, if any. Applicable accounting standards require goodwill to be tested for impairment annually at the same time every year and whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our annual goodwill impairment assessment is performed as of August 31 of each year. Refer to Note 13 for further discussion on goodwill.

Investment in Operating Leases

Investment in operating leases represents the automobiles that are underlying the leases and is reported at cost, less accumulated depreciation and net of impairment charges and origination fees or costs. Depreciation of vehicles is generally provided on a straight-line basis to an estimated residual value over the lease term. Manufacturer support payments that we receive are treated as a reduction to the cost-basis in the underlying lease asset and are recognized over the life of the contract as a reduction to depreciation expense. We periodically evaluate our depreciation rate for leased vehicles based on projected residual values. Income from operating lease assets that includes lease origination fees, net of lease origination costs, is recognized as operating lease revenue on a straight-line basis over the scheduled lease term.

We have significant investments in the residual values of assets in our operating lease portfolio. The residual values represent an estimate of the values of the assets at the end of the lease contracts. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. Realization of the residual values is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and may make adjustments to the depreciation rates to the extent the expected value of the vehicle (including any residual support payments) at lease termination changes. In addition to estimating the residual value at lease termination, we also evaluate the current value of the operating lease asset and test for impairment to the extent necessary based on market considerations and portfolio characteristics. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset. If our operating lease assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. The accrual of revenue on operating leases is generally discontinued at the time an account is determined to be uncollectible, at the earliest of time of repossession, within 60 days of bankruptcy notification and greater than 60 days past due, or greater than 120 days past due.

When a lease vehicle is returned to us, the asset is reclassified from investment in operating leases, net, to other assets and recorded at the lower-of-cost or estimated fair value, less costs to sell, on our Consolidated Balance Sheet.

Impairment of Long-lived Assets

The carrying value of long-lived assets (including property and equipment) are evaluated for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable from the estimated undiscounted future cash flows expected to result from their use and eventual disposition. Recoverability of assets to be held and used is measured by a comparison of their carrying amount to future net undiscounted cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. No material impairment was recognized in 2012, 2011, or 2010.

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An impairment test on an asset group to be sold or otherwise disposed of is performed upon occurrence of a triggering event or when certain criteria are met (e.g., the asset is planned to be disposed of within twelve months, appropriate levels of authority have approved the sale, there is an active program to locate a buyer, etc), which cause the disposal group to be classified as held-for-sale. Long-lived assets held-for-sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell. If the carrying value of the assets held-for-sale exceeds the fair value less cost to sell, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets less cost to sell. During 2012, 2011, and 2010, impairment losses were recognized on asset groups that were classified as held-for-sale or disposed of by sale. Refer to Note 2 for a discussion of discontinued and held-for-sale operations.

Property and Equipment

Property and equipment stated at cost, net of accumulated depreciation and amortization, are reported in other assets on our Consolidated Balance Sheet. Included in property and equipment are certain buildings, furniture and fixtures, leasehold improvements, company vehicles, IT hardware and software, and capitalized software costs. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which generally ranges from three to thirty years. Capitalized software is generally amortized on a straight-line basis over its useful life, which generally ranges from three to five years. Capitalized software that is not expected to provide substantive service potential or for which development costs significantly exceed the amount originally expected is considered impaired and written down to fair value. Software expenditures that are considered general, administrative, or of a maintenance nature are expensed as incurred.

Unearned Insurance Premiums and Service Revenue

Insurance premiums, net of premiums ceded to reinsurers, and service revenue are earned over the terms of the policies. The portion of premiums and service revenue written applicable to the unexpired terms of the policies is recorded as unearned insurance premiums or unearned service revenue. For extended service and maintenance contracts, premiums and service revenues are earned on a basis proportionate to the anticipated cost emergence. For other short duration contracts, premiums and unearned service revenue are earned on a pro rata basis. For further information, refer to Note 3.

Deferred Policy Acquisition Costs

Commissions, including compensation paid to sellers of vehicle service contracts and other costs of acquiring insurance that are primarily related to and vary with the production of business, are deferred and recorded in other assets. Deferred policy acquisition costs are amortized over the terms of the related policies and service contracts on the same basis as premiums and revenue are earned except for direct response advertising costs, which are amortized over their expected future benefit. We group costs incurred for acquiring like contracts and consider anticipated investment income in determining the recoverability of these costs.

Reserves for Insurance Losses and Loss Adjustment Expenses

Reserves for insurance losses and loss adjustment expenses are reported in accrued expenses and other liabilities. They are established for the unpaid cost of insured events that have occurred as of a point in time. More specifically, the reserves for insurance losses and loss adjustment expenses 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. Estimates for salvage and subrogation recoverable are recognized at the time losses are incurred and netted against provision for insurance losses and loss adjustment expenses. Reserves are established for each business at the lowest meaningful level of homogeneous data. Since the reserves are based on estimates, the ultimate liability may vary from such estimates. The estimates are regularly reviewed and adjustments, which can potentially be significant, are included in earnings in the period in which they are deemed necessary.

Legal and Regulatory Reserves

Reserves for legal and regulatory matters are established when those matters present loss contingencies that are both probable and estimable, with a corresponding amount recorded to other noninterest expense. In cases where we have an accrual for losses, it is our policy to include an estimate for probable and estimable legal expenses related to the case. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, we do not establish an accrued liability. We continue to monitor legal and regulatory matters for further developments that could affect the requirement to establish a liability or that may impact the amount of a previously established liability. There may be exposure to loss in excess of any amounts recognized. For certain other matters where the risk of loss is determined to be reasonably possible, estimable, and material to the financial statements, disclosure regarding details of the matter and an estimated range of loss is required. The estimated range of possible loss does not represent our maximum loss exposure. Financial statement disclosure is also required for matters that are deemed probable or reasonably possible, material to the financial statements, but for which an estimated range of loss is not possible to determine. While we believe our reserves are adequate, the outcome of legal and regulatory proceedings is extremely difficult to predict and we may settle claims or be subject to judgments for amounts that differ from our estimates. For information regarding the nature of all material contingencies, refer to Note 29.

Loan Repurchase and Obligations Related to Loan Sales

Our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs or by whole-loan purchasers. In addition, we infrequently sell securities to investors through private-label securitizations. In connection with these activities we provide to the GSEs, investors, whole-loan purchasers, and financial guarantors (monolines) various representations and warranties related to the loans sold. These representations and warranties generally relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation and compliance with applicable laws. Generally, the representations and

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warranties described in Note 29 may be enforced at any time over the life of the loan. Historically, ResCap assumed all of the customary representation and warranty obligations for loans purchased from Credence Global Bank Union and subsequently sold into the secondary market. A portion of our representation and warranty obligations were eliminated as a result of the deconsolidation of ResCap. As a result of the deconsolidation of ResCap, we recorded a representation and warranty reserve to Credence Global Bank. See additional information.

Upon a breach of a representation, we correct the breach in a manner conforming to the provisions of the sale agreement. This may require us either to repurchase the loan or to indemnify (make-whole) a party for incurred losses or provide other recourse to a GSE or investor. Repurchase demands and claims for indemnification payments are reviewed on a loan-by-loan basis to validate if there has been a breach requiring repurchase or a make-whole payment. We actively contest claims to the extent we do not consider them valid. In cases where we repurchase loans, we bear the credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value and subsequently at the lower of cost or market. We seek to manage the risk of repurchase and associated credit exposure through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards.

The reserve for representation and warranty obligations reflects management's best estimate of probable lifetime loss. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in other liabilities on our Consolidated Balance Sheet, and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the reserve when additional relevant information becomes available. Changes in the liability are recorded as other operating expenses in our Consolidated Statement of Income.

Earnings per Common Share

We compute basic earnings (loss) per common share by dividing net income (loss) from continuing operations attributable to common shareholders after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period. We compute diluted earnings (loss) per common share by dividing net income (loss) from continuing operations after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period plus the dilution resulting from the conversion of convertible preferred stock, if applicable.

Derivative Instruments and Hedging Activities

We primarily use derivative instruments for risk management purposes. Derivatives that were held for trading purposes were limited to those entered into by our broker-dealer. Some of our derivative instruments are designated in qualifying hedge accounting relationships; other derivative instruments do not qualify for hedge accounting or are not elected to be designated in a qualifying hedging relationship. In accordance with applicable accounting standards, all derivative financial instruments, whether designated for hedge accounting or not, are required to be recorded on the balance sheet as assets or liabilities and measured at fair value. Additionally, we report derivative financial instruments on the Consolidated Balance Sheet primarily on a gross basis. For additional information on derivative instruments and hedging activities, refer to Note 22.

At inception of a hedge accounting relationship, we designate each qualifying derivative financial instrument as a hedge of the fair value of a specifically identified asset or liability (fair value hedge); as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or as a hedge of the foreign-currency exposure of a net investment in a foreign operation. We formally document all relationships between hedging instruments and hedged items and risk management objectives for undertaking various hedge transactions. Both at the hedge's inception and on an ongoing basis, we formally assess whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in the current period earnings. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative financial instruments is recorded in accumulated other comprehensive income, and recognized in the income statement when the hedged cash flows affect earnings. For a derivative designated as hedging the foreign-currency exposure of a net investment in a foreign operation, the gain or loss is reported in accumulated other comprehensive income as part of the cumulative translation adjustment. The ineffective portions of fair value, cash flow, and net investment hedges are immediately recognized in earnings, along with the portion of the change in fair value that is excluded from the assessment of hedge effectiveness, if any.

The hedge accounting treatment described herein is no longer applied if a derivative financial instrument is terminated or the hedge designation is removed or is assessed to be no longer highly effective. For these terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the asset or liability and are recognized into income over the remaining life of the asset or liability. For terminated cash flow hedges, unless it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument previously recognized remain in accumulated other comprehensive income, and are reclassified into earnings in the same period that the hedged cash flows affect earnings. The previously recognized net derivative gain or loss

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for a net investment hedge continues to remain in accumulated other comprehensive income until earnings are impacted by sale or liquidation of the associated foreign operation. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

Changes in the fair value of derivative financial instruments held for risk management purposes that are not designated for hedge accounting under GAAP and changes in the fair value of derivative financial instruments held for trading purposes are reported in current period earnings.

Loan Commitments

We enter into commitments to purchase and make loans whereby the interest rate on the loans is set prior to funding (i.e., interest rate lock commitments). Interest rate lock commitments for mortgage loans to be originated for sale and all purchase commitments are derivative financial instruments carried at fair value in accordance with applicable accounting standards with changes in fair value included within current period earnings. The fair value of purchase and interest rate lock commitments include expected net future cash flows related to the associated servicing of the loan. Servicing assets are recognized as distinct assets once they are contractually separated from the underlying loan by sale or securitization. Day-one gains or losses on derivative interest rate lock commitments are recognized when applicable.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. For additional information regarding our provision for income taxes, refer to Note 23.

We recognize the financial statement effects of uncertain income tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Also, we recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively.

Share-based Compensation

Under accounting guidance for share-based compensation, compensation cost recognized includes cost for share-based awards. For certain share-based awards compensation cost is ratably charged to expense over the applicable service periods. For other share-based awards, the awards require liability treatment and are remeasured quarterly at fair value until they are paid, with changes in fair value charged to compensation expense in the period in which the change occurs. Refer to Note 24 for a discussion of our share-based compensation plans.

Foreign Exchange

Foreign-denominated assets and liabilities resulting from foreign-currency transactions are valued using period-end foreign-exchange rates and the results of operations and cash flows are determined using approximate weighted average exchange rates for the period. Translation adjustments are related to foreign subsidiaries using local currency as their functional currency and are reported as a separate component of accumulated other comprehensive income. We may elect to enter into foreign-currency derivatives to mitigate our exposure to changes in foreign-exchange rates. Refer to Derivative Instruments and Hedging Activities above for a discussion of our hedging activities of the foreign-currency exposure of a net investment in a foreign operation.

Recently Adopted Accounting Standards

Financial Services - Insurance - Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26)

As of January 1, 2012, we adopted Accounting Standards Update (ASU) 2010-26, which amends ASC 944 *Financial Services - Insurance*. The amendments in this ASU specify which costs incurred in the acquisition of new and renewal insurance contracts should be capitalized. All other acquisition-related costs should be expensed as incurred. If the initial application of the amendments in this ASU results in the capitalization of acquisition costs that had not been previously capitalized, an entity may elect not to capitalize those types of costs. Both retrospective application and early adoption was permitted. We elected prospective application and did not early adopt the ASU. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Fair Value Measurement - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04)

As of January 1, 2012, we adopted ASU 2011-04, which amends ASC 820 *Fair Value Measurements*. The amendments in this ASU clarify how to measure fair value and it contains new disclosure requirements to provide more transparency into Level 3 fair value measurements. It is intended to improve the comparability of fair value measurements presented and disclosed in financial statements

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prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU must be applied prospectively. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Intangibles-Goodwill and Other - Testing Goodwill for Impairment (ASU 2011-08)

As of January 1, 2012, we adopted ASU 2011-08, which amends ASC 350, *Intangibles-Goodwill and Other*. This ASU permits the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not more than the carrying amount, the two-step impairment test would not be required. Otherwise, further evaluation under the existing two-step framework would be required. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

Balance Sheet - Disclosures about Offsetting Assets and Liabilities (ASU 2011-11 and ASU 2013-01)

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-11, which amends ASC 210, *Balance Sheet*. This ASU contains new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. In addition, in January 2013, the FASB issued ASU 2013-01, which simply clarified the scope of ASU 2011-11. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 and ASU 2013-01 are effective for us on January 1, 2013, and retrospective application is required. Since the guidance relates only to disclosures, adoption is not expected to have a material effect on our consolidated financial condition or results of operations.

Comprehensive Income - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)

In February, 2013 the FASB issued ASU 2013-02, which amends ASC 220, *Comprehensive Income*. The ASU contains new requirements related to the presentation and disclosure of items that are reclassified out of other comprehensive income. The new requirements will give financial statement users a more comprehensive view of items that are reclassified out of other comprehensive income. ASU 2013-02 is effective for us on January 1, 2013, and is to be applied prospectively. Since the guidance relates only to presentation and disclosure of information, adoption is not expected to have a material effect on our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

We classify operations as discontinued when operations and cash flows will be eliminated from our ongoing operations and we do not expect to retain any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, all of the operating results for these discontinued operations have been removed from continuing operations and presented separately as discontinued operations, net of tax, in the Consolidated Statement of Income. The Notes to the Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

Select Mortgage Operations

During the second quarter of 2012, we sold the Canadian mortgage operations of ResMor Trust. During 2010, we sold certain international operations. These operations included residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the United Kingdom and continental Europe.

Select Insurance Operations

During the fourth quarter of 2011, we committed to sell our U.K.-based operations that provide vehicle service contracts and insurance products in Europe and Latin America. On February 28, 2013, we sold our U.K.-based operations to a wholly owned subsidiary of AmTrust Financial Services, Inc. Additionally, during the fourth quarter of 2012, we committed to sell our Mexican insurance business, ABA Seguros, to the ACE Group. In connection with the classification of these Insurance operations as held-for-sale we recognized a pretax loss of \$55 million during the year ended December 31, 2012. The loss represents the impairment recognized to present the operations at the lower-of-cost or fair value. The fair value was determined using sales agreements with third-party purchasers (a Level 2 fair value input). We expect to complete the ABA Seguros sale during the first half of 2013.

During the second quarter of 2011, we completed the sale of our U.K. consumer property and casualty insurance business. During 2010, we completed the sale of our U.S. consumer property and casualty insurance business.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our Canadian automotive finance operations, Credence Global Bank Credit Canada Limited, and ResMor Trust (Credence Global Bank Canada) to Royal Bank of Canada. On February 1, 2013, we completed the sale of our Canadian automotive finance operations to Royal Bank of Canada. Refer to more information regarding the sale. Additionally, during the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. No impairment was recognized to present the operations at the lower-of-cost or fair value. We expect to complete the sales by region during 2013.

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During the first quarter of 2012, we completed the sale of our Venezuela operations. During the first quarter of 2011, we completed the sale of our Ecuador operations. During 2010, we completed the sale of our Argentina and Poland operations and our full-service leasing operations in Australia, Belgium, France, Poland, and the United Kingdom. We also ceased operations in Australia and Russia and classified them as discontinued during 2010.

Select Corporate and Other Operations

During the fourth quarter of 2012, we ceased operations at our Commercial Finance operations' European division and classified it as discontinued.

Select Financial Information

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Select Mortgage operations			
Total net revenue (loss)	\$ 7	\$ (4)	\$ 94
Pretax (loss) income including direct costs to transact a sale	(13)	(38)	49
Tax (benefit) expense	(15)	(8)	7
Select Insurance operations			
Total net revenue	\$ 625	\$ 710	\$ 976
Pretax income including direct costs to transact a sale (a)	86	145	31
Tax expense (b)	53	39	19
Select Automotive Finance operations			
Total net revenue	\$ 1,503	\$ 1,690	\$ 1,646
Pretax income including direct costs to transact a sale (a)	786	820	698
Tax expense (b)	235	92	17
Select Corporate and Other operations			
Total net revenue	\$ 11	\$ 7	\$ 22
Pretax income	83	44	3
Tax expense (benefit)	2	3	(3)

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

(b) Includes certain income tax activity recognized by Corporate and Other.

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Held-for-sale Operations

The assets and liabilities of operations held-for-sale are summarized below.

December 31, 2012 (millions)	Select Insurance operations ^(a)	Select Automotive Finance operations ^(b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	\$ 8	\$ 100	\$ 108
Interest-bearing	119	1,918	2,037
Total cash and cash equivalents	127	2,018	2,145
Investment securities	576	424	1,000
Finance receivables and loans, net			
Finance receivables and loans, net	$\frac{1}{2}$	25,835	25,835
Allowance for loan losses	$\frac{1}{2}$	(208)	(208)
Total finance receivables and loans, net	$\frac{1}{2}$	25,627	25,627
Investment in operating leases, net	$\frac{1}{2}$	144	144
Premiums receivable and other insurance assets	277	$\frac{1}{2}$	277
Other assets	94	2,942	3,036
Impairment on assets of held-for-sale operations	(53)	$\frac{1}{2}$	(53)
Total assets	\$ 1,021	\$ 31,155	\$ 32,176
Liabilities			
Interest-bearing deposit liabilities	\$ $\frac{1}{2}$	\$ 3,907	\$ 3,907
Short-term borrowings	$\frac{1}{2}$	2,800	2,800
Long-term debt	$\frac{1}{2}$	13,514	13,514
Interest payable	$\frac{1}{2}$	177	177
Unearned insurance premiums and service revenue	506	$\frac{1}{2}$	506
Accrued expenses and other liabilities	297	1,498	1,795
Total liabilities	\$ 803	\$ 21,896	\$ 22,699

(a) Includes our U.K.-based operations that provide vehicle service contracts and insurance products, and ABA Seguros.

(b) Includes our Canadian and Other International entities (including full-service leasing operations and other automotive finance operations).

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December 31, 2011 (in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select Automotive Finance operations (c)	Total held-for-sale operations
Assets				
Cash and cash equivalents				
Noninterest-bearing	\$ 59	\$ 4	\$ 55	\$ 118
Interest-bearing	186	54	38	278
Total cash and cash equivalents	245	58	93	396
Investment securities	186	186	186	558
Loans held-for-sale, net	260	186	186	632
Finance receivables and loans, net				
Finance receivables and loans, net	285	186	11	482
Allowance for loan losses	(186)	(186)	(1)	(373)
Total finance receivables and loans, net	99	0	10	109
Investment in operating leases, net	186	186	91	463
Premiums receivable and other insurance assets	186	77	186	449
Other assets	140	14	30	184
Impairment on assets of held-for-sale operations	186	186	(174)	198
Total assets	\$ 685	\$ 335	\$ 50	\$ 1,070
Liabilities				
Unearned insurance premiums and service revenue	186	130	186	502
Accrued expenses and other liabilities	80	99	28	207
Total liabilities	\$ 80	\$ 229	\$ 28	\$ 337

(a) Includes the Canadian mortgage operations of ResMor Trust.

(b) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.

(c) Includes the operations of Venezuela and our full-service leasing operations.

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Recurring Fair Value

The following table displays the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. Refer to Note 25 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

(\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
December 31, 2012				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 555	\$ 42	\$ 0	\$ 597
Corporate debt	0	76	0	76
Other	0	327	0	327
Other assets				
Derivative assets:				
Interest rate contracts	0	22	9	31
Total assets	\$ 555	\$ 467	\$ 9	\$ 1,031
Liabilities				
Accrued expenses and other liabilities:				
Derivative liabilities				
Interest rate contracts	\$ 0	\$ 24	\$ 11	\$ 35
Foreign currency contracts	0	1	18	19
Total liabilities	\$ 0	\$ 25	\$ 29	\$ 54
December 31, 2011				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 171	\$ 15	\$ 0	\$ 186
Other assets				
Interest retained in financial asset sales	0	0	66	66
Total assets	\$ 171	\$ 15	\$ 66	\$ 252

3. Insurance Premiums and Service Revenue Earned

The following table is a summary of insurance premiums and service revenue written and earned.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Written	Earned	Written	Earned	Written	Earned
Insurance premiums						
Direct	\$ 337	\$ 339	\$ 359	\$ 326	\$ 359	\$ 337
Assumed	44	49	38	76	210	281
Gross insurance premiums	381	388	397	402	569	618
Ceded	(141)	(109)	(129)	(126)	(229)	(228)
Net insurance premiums	240	279	268	276	340	390
Service revenue	826	780	788	894	718	981
Insurance premiums and service revenue written and earned	\$ 1,066	\$ 1,059	\$ 1,056	\$ 1,170	\$ 1,058	\$ 1,371

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4. Other Income, Net of Losses

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

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Mortgage processing fees and other mortgage income	\$ 481	\$ 231	\$ 234
Late charges and other administrative fees	83	82	92
Remarketing fees	63	96	126
Securitization income	45	194	20
Fair value adjustment on derivatives (a)	(30)	(137)	(189)
Change due to fair value option elections $\frac{1}{2}$ (b)	(19)	(101)	(217)
Other, net	124	128	268
Total other income, net of losses	\$ 747	\$ 493	\$ 334

(a) Refer to Note 22 for a description of derivative instruments and hedging activities.

(b) Refer to Note 25 for a description of fair value option elections.

5. Other Operating Expenses

Details of other operating expenses were as follows.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Impairment and accruals related to ResCap Bankruptcy and deconsolidation (a)	\$ 1,192	\$ $\frac{1}{2}$	\$ $\frac{1}{2}$
Insurance commissions	382	432	511
Technology and communications	347	418	431
Lease and loan administration	315	168	143
Professional services	281	294	241
Advertising and marketing	150	168	137
Regulatory and licensing fees	119	127	115
Fines and penalties	90	222	$\frac{1}{2}$
Premises and equipment depreciation	83	81	70
Mortgage representation and warranty obligation, net	67	324	670
Occupancy	58	72	72
Vehicle remarketing and repossession	52	84	123
State and local non-income taxes	15	49	42
Other	347	497	523
Total other operating expenses	\$ 3,498	\$ 2,936	\$ 3,078

(a) This charge consists of the \$442 million total impairment of our investment in ResCap and a \$750 million accrual of a cash settlement offer to the Debtors' estate. Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this charge.

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6. Investment Securities

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

December 31, 2011 (in millions)	2012				2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 2,212	\$ 3	\$ (1)	\$ 2,214	\$ 1,535	\$ 13	\$ (2)	\$ 1,546
U.S. states and political subdivisions	1	1	1	1	1	1	1	1
Foreign government	295	8	1	303	765	20	(1)	784
Mortgage-backed residential (a)	6,779	130	(3)	6,906	7,266	87	(41)	7,312
Asset-backed	2,309	32	(1)	2,340	2,600	28	(13)	2,615
Corporate debt	1,209	57	(3)	1,263	1,486	23	(18)	1,491
Other	1	1	1	1	326	1	1	327
Total debt securities	12,804	230	(8)	13,026	13,979	172	(75)	14,076
Equity securities	1,193	32	(73)	1,152	1,188	25	(154)	1,059
Total available-for-sale securities	\$ 13,997	\$ 262	\$ (81)	\$ 14,178	\$ 15,167	\$ 197	\$ (229)	\$ 15,135

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$4,983 million and \$6,114 million at December 31, 2012 and December 31, 2011 respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$15 million and \$16 million at December 31, 2012 and December 31, 2011 respectively.

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

$\frac{1}{2}$ (\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years $\frac{1}{2}$ (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2012										
Fair value of available-for-sale debt securities $\frac{1}{2}$ (b)										
U.S. Treasury and federal agencies	\$ 2,214	0.9%	\$ 422	$\frac{1}{2}$	\$ 682	0.7%	\$ 1,110	1.4%	\$ $\frac{1}{2}$	$\frac{1}{2}$
Foreign government	303	2.5	1	2.2	136	1.8	166	3.0	$\frac{1}{2}$	$\frac{1}{2}$
Mortgage-backed residential	6,906	2.7	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	35	4.3	6,871	2.7
Asset-backed	2,340	2.1	$\frac{1}{2}$	$\frac{1}{2}$	1,543	2.0	510	1.7	287	3.3
Corporate debt	1,263	5.1	9	3.2	560	4.0	596	6.0	98	5.8
Total available-for-sale debt securities	\$ 13,026	2.4	\$ 432	0.1	\$ 2,921	2.0	\$ 2,417	2.6	\$ 7,256	2.6
Amortized cost of available-for-sale debt securities	\$ 12,804		\$ 431		\$ 2,880		\$ 2,369		\$ 7,124	
December 31, 2011										
Fair value of available-for-sale debt securities $\frac{1}{2}$ (b)										
U.S. Treasury and federal agencies	\$ 1,546	0.9%	\$ 231	$\frac{1}{2}$	\$ 1,202	0.9%	\$ 113	2.2%	\$ $\frac{1}{2}$	$\frac{1}{2}$
U.S. states and political subdivisions	1	5.4	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	1	5.4
Foreign government	784	4.4	77	7.7	506	4.3	201	3.3	$\frac{1}{2}$	$\frac{1}{2}$
Mortgage-backed residential	7,312	2.5	3	4.8	2	6.3	189	2.6	7,118	2.5
Asset-backed	2,615	2.1	$\frac{1}{2}$	$\frac{1}{2}$	1,599	1.9	574	1.9	442	3.2
Corporate debt	1,491	4.9	19	4.9	741	4.4	606	5.6	125	4.7
Other	327	1.4	316	1.3	$\frac{1}{2}$	$\frac{1}{2}$	11	4.6	$\frac{1}{2}$	$\frac{1}{2}$
Total available-for-sale debt securities	\$ 14,076	2.6	\$ 646	1.7	\$ 4,050	2.4	\$ 1,694	3.5	\$ 7,686	2.6
Amortized cost of available-for-sale debt securities	\$ 13,979		\$ 644		\$ 4,026		\$ 1,678		\$ 7,631	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 $\frac{1}{2}$ years. Actual maturities may differ due to call or prepayment options.

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

The balances of cash equivalents were \$3.4 billion and \$5.6 billion at December $\frac{1}{2}$ 31, 2012 and December $\frac{1}{2}$ 31, 2011, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

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

Year ended December $\frac{1}{2}$ 31, (in millions)	2012	2011	2010
Gross realized gains	\$ 241	\$ 298	\$ 537
Gross realized losses	(34)	(28)	(34)
Other-than-temporary impairment	(61)	(11)	(1)
Net realized gains	\$ 146	\$ 259	\$ 502

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

Year ended December 31, <i>(\$ in millions)</i>	2012	2011	2010
Taxable interest	\$ 262	\$ 327	\$ 296
Taxable dividends	30	24	17
Interest and dividends exempt from U.S. federal income tax	$\frac{1}{2}$	$\frac{1}{2}$	10
Interest and dividends on available-for-sale securities	\$ 292	\$ 351	\$ 323

Certain available-for-sale securities were sold at a loss in 2012, 2011, and 2010 as a result of market conditions within these respective periods (e.g., a downgrade in the rating of a debt security). The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of December 31, 2012, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of December 31, 2011, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at December 31, 2011. Refer to Note 1 for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

$\frac{1}{2}$ $\frac{1}{2}$ December 31, (<i>\$ in millions</i>)	2012				2011			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 244	\$ (1)	\$ $\frac{1}{2}$	\$ $\frac{1}{2}$	\$ 179	\$ (2)	\$ $\frac{1}{2}$	\$ $\frac{1}{2}$
Foreign government	11	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	197	(1)	$\frac{1}{2}$	$\frac{1}{2}$
Mortgage-backed residential	493	(2)	23	(1)	2,302	(39)	45	(2)
Asset-backed	143	(1)	1	$\frac{1}{2}$	994	(13)	1	$\frac{1}{2}$
Corporate debt	120	(2)	15	(1)	444	(16)	30	(2)
Total temporarily impaired debt securities	1,011	(6)	39	(2)	4,116	(71)	76	(4)
Temporarily impaired equity securities	380	(39)	218	(34)	770	(148)	18	(6)
Total temporarily impaired available-for-sale securities	\$ 1,391	\$ (45)	\$ 257	\$ (36)	\$ 4,886	\$ (219)	\$ 94	\$ (10)

7. Loans Held-for-Sale, Net

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

$\frac{1}{2}$ December 31, (<i>\$ in millions</i>)	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ $\frac{1}{2}$	\$ $\frac{1}{2}$	\$ $\frac{1}{2}$	\$ 425	\$ $\frac{1}{2}$	\$ 425
Consumer mortgage						
1st Mortgage	2,490	$\frac{1}{2}$	2,490	7,360	12	7,372
Home equity	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	740	$\frac{1}{2}$	740
Total consumer mortgage $\frac{1}{2}$ (a)	2,490	$\frac{1}{2}$	2,490	8,100	12	8,112
Commercial and industrial						
Other	86	$\frac{1}{2}$	86	20	$\frac{1}{2}$	20
Total loans held-for-sale $\frac{1}{2}$ (b)	\$ 2,576	\$ $\frac{1}{2}$	\$ 2,576	\$ 8,545	\$ 12	\$ 8,557

- (a) Fair value option-elected domestic consumer mortgages were \$2.5 billion and \$3.9 billion at December 31, 2012 and December 31, 2011 respectively. Refer to Note 25 for additional information.
- (b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized premiums of \$26 million at December 31, 2012 and net unamortized discounts of \$221 million at December 31, 2011.

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The following table summarizes held-for-sale mortgage loans reported at carrying value by higher-risk loan type.

December 31, (\$ in millions)	2012	2011
High original loan-to-value (greater than 100%) mortgage loans	\$ 378	\$ 423
Payment-option adjustable-rate mortgage loans	$\frac{1}{2}$	12
Interest-only mortgage loans	10	298
Below-market rate (teaser) mortgages	$\frac{1}{2}$	169
Total higher-risk mortgage loans held-for-sale	\$ 388	\$ 902

8. Finance Receivables and Loans, Net

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

December 31, (\$ in millions)	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ 53,713	\$ 2	\$ 53,715	\$ 46,576	\$ 16,883	\$ 63,459
Consumer mortgage						
1st Mortgage	7,173	$\frac{1}{2}$	7,173	6,867	24	6,891
Home equity	2,648	$\frac{1}{2}$	2,648	3,102	$\frac{1}{2}$	3,102
Total consumer mortgage	9,821	$\frac{1}{2}$	9,821	9,969	24	9,993
Commercial						
Commercial and industrial						
Automobile	30,270	$\frac{1}{2}$	30,270	26,552	8,265	34,817
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	1,887	24	1,911
Other	2,679	18	2,697	1,178	63	1,241
Commercial real estate						
Automobile	2,552	$\frac{1}{2}$	2,552	2,331	154	2,485
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	14	14
Total commercial	35,501	18	35,519	31,948	8,520	40,468
Loans at fair value $\frac{1}{2}$ (a)	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	603	232	835
Total finance receivables and loans $\frac{1}{2}$(b)	\$ 99,035	\$ 20	\$ 99,055	\$ 89,096	\$ 25,659	\$ 114,755

(a) Includes domestic consumer mortgages at fair value as a result of fair value option election. Refer to Note 25 for additional information.

(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$895 million and \$2.9 billion at December $\frac{1}{2}$ 2012, and December $\frac{1}{2}$ 2011, respectively.

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

(\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 221	\$ 1,503
Charge-offs				
Domestic	(438)	(149)	(8)	(595)
Foreign	(178)		(3)	(181)
Total charge-offs	(616)	(149)	(11)	(776)
Recoveries				
Domestic	171	11	11	193
Foreign	76		33	109
Total recoveries	247	11	44	302
Net charge-offs	(369)	(138)	33	(474)
Provision for loan losses	257	86	(14)	329
Foreign provision for loan losses	115		(50)	65
Deconsolidation of ResCap		(9)		(9)
Other (a)	(194)	(3)	(47)	(244)
Allowance at December 31, 2012	\$ 575	\$ 452	\$ 143	\$ 1,170
Allowance for loan losses				
Individually evaluated for impairment	\$ 16	\$ 186	\$ 26	\$ 228
Collectively evaluated for impairment	556	266	117	939
Loans acquired with deteriorated credit quality	3			3
Finance receivables and loans at historical cost				
Ending balance	53,715	9,821	35,519	99,055
Individually evaluated for impairment	260	873	1,538	2,671
Collectively evaluated for impairment	53,425	8,948	33,981	96,354
Loans acquired with deteriorated credit quality	30			30

(a) Other includes the allowance of foreign Automotive Finance operations finance receivables and loans that were reclassified as discontinued operations.

(\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2011	\$ 970	\$ 580	\$ 323	\$ 1,873
Charge-offs				
Domestic	(435)	(205)	(27)	(667)
Foreign	(145)	(5)	(63)	(213)
Total charge-offs	(580)	(210)	(90)	(880)
Recoveries				
Domestic	186	16	25	227
Foreign	73	1	26	100
Total recoveries	259	17	51	327
Net charge-offs	(321)	(193)	(39)	(553)
Provision for loan losses	102	129	(43)	188
Foreign provision for loan losses	52		(21)	31
Other	(37)		1	(36)
Allowance at December 31, 2011	\$ 766	\$ 516	\$ 221	\$ 1,503
Allowance for loan losses				
Individually evaluated for impairment	\$ 7	\$ 172	\$ 61	\$ 240
Collectively evaluated for impairment	749	344	160	1,253
Loans acquired with deteriorated credit quality	10			10
Finance receivables and loans at historical cost				
Ending balance	63,459	9,993	40,468	113,920
Individually evaluated for impairment	69	606	464	1,139
Collectively evaluated for impairment	63,302	9,387	40,004	112,693
Loans acquired with deteriorated credit quality	88			88

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

December 31, (\$ in millions)	2012	2011
Consumer automobile	\$ 1,960	\$ 3,279
Consumer mortgage	40	107
Commercial	96	34
Total sales and transfers	\$ 2,096	\$ 3,420

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

December 31, (\$ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
2012						
Consumer automobile	\$ 920	\$ 213	\$ 138	\$ 1,271	\$ 52,444	\$ 53,715
Consumer mortgage						
1st Mortgage	66	37	156	259	6,914	7,173
Home equity	15	6	18	39	2,609	2,648
Total consumer mortgage	81	43	174	298	9,523	9,821
Commercial						
Commercial and industrial						
Automobile	1/2	1/2	16	16	30,254	30,270
Mortgage	1/2	1/2	1/2	1/2	1/2	1/2
Other	1/2	1/2	1	1	2,696	2,697
Commercial real estate						
Automobile	1/2	1/2	8	8	2,544	2,552
Mortgage	1/2	1/2	1/2	1/2	1/2	1/2
Total commercial	1/2	1/2	25	25	35,494	35,519
Total consumer and commercial	\$ 1,001	\$ 256	\$ 337	\$ 1,594	\$ 97,461	\$ 99,055
2011						
Consumer automobile	\$ 802	\$ 162	\$ 179	\$ 1,143	\$ 62,316	\$ 63,459
Consumer mortgage						
1st Mortgage	91	35	162	288	6,603	6,891
Home equity	21	11	18	50	3,052	3,102
Total consumer mortgage	112	46	180	338	9,655	9,993
Commercial						
Commercial and industrial						
Automobile	1/2	1	126	127	34,690	34,817
Mortgage	1/2	1/2	1/2	1/2	1,911	1,911
Other	1/2	1/2	1	1	1,240	1,241
Commercial real estate						
Automobile	2	1	34	37	2,448	2,485
Mortgage	1/2	2	12	14	1/2	14
Total commercial	2	4	173	179	40,289	40,468
Total consumer and commercial	\$ 916	\$ 212	\$ 532	\$ 1,660	\$ 112,260	\$ 113,920

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

December 31, (\$ in millions)	2012	2011
Consumer automobile	\$ 260	\$ 228
Consumer mortgage		
1st Mortgage	342	281
Home equity	40	58
Total consumer mortgage	382	339
Commercial		
Commercial and industrial		
Automobile	146	223
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$
Other	33	37
Commercial real estate		
Automobile	37	67
Mortgage	$\frac{1}{2}$	12
Total commercial	216	339
Total consumer and commercial finance receivables and loans	\$ 858	\$ 906

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

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

$\frac{1}{2}$ December 31, (\$ in millions)	2012			2011		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	\$ 53,455	\$ 260	\$ 53,715	\$ 63,231	\$ 228	\$ 63,459
Consumer mortgage						
1st Mortgage	6,831	342	7,173	6,610	281	6,891
Home equity	2,608	40	2,648	3,044	58	3,102
Total consumer mortgage	\$ 9,439	\$ 382	\$ 9,821	\$ 9,654	\$ 339	\$ 9,993

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

$\frac{1}{2}$ December 31, (\$ in millions)	2012			2011		
	Pass	Criticized $\frac{1}{2}$ (a)	Total	Pass	Criticized $\frac{1}{2}$ (a)	Total
Commercial						
Commercial and industrial						
Automobile	\$ 28,978	\$ 1,292	\$ 30,270	\$ 32,464	\$ 2,353	\$ 34,817
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	1,760	151	1,911
Other	2,417	280	2,697	883	358	1,241
Commercial real estate						
Automobile	2,440	112	2,552	2,305	180	2,485
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	14	14
Total commercial	\$ 33,835	\$ 1,684	\$ 35,519	\$ 37,412	\$ 3,056	\$ 40,468

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

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Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1.

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

December 31, (\$ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
2012					
Consumer automobile	\$ 260	\$ 260	\$ 90	\$ 170	\$ 16
Consumer mortgage					
1st Mortgage	811	725	123	602	137
Home equity	147	148	1	147	49
Total consumer mortgage	958	873	124	749	186
Commercial					
Commercial and industrial					
Automobile	146	146	54	92	7
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Other	33	33	9	24	7
Commercial real estate					
Automobile	37	37	9	28	12
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	\$ 1,434	\$ 1,349	\$ 286	\$ 1,063	\$ 228
2011					
Consumer automobile	\$ 69	\$ 69	$\frac{1}{2}$	\$ 69	\$ 7
Consumer mortgage					
1st Mortgage	516	508	83	425	126
Home equity	97	98	$\frac{1}{2}$	98	46
Total consumer mortgage	613	606	83	523	172
Commercial					
Commercial and industrial					
Automobile	222	222	64	158	22
Mortgage	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Other	37	37	25	12	5
Commercial real estate					
Automobile	68	68	32	36	18
Mortgage	12	12	1	11	5
Total commercial	339	339	122	217	50
Total consumer and commercial finance receivables and loans	\$ 1,021	\$ 1,014	\$ 205	\$ 809	\$ 229

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

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Average balance	Interest income	Average balance	Interest income	Average balance	Interest income
Consumer automobile	\$ 131	\$ 12	\$ 35	\$ 2	\$ 126	\$ 1
Consumer mortgage						
1st Mortgage	598	24	463	18	405	15
Home equity	95	4	90	4	79	4
Total consumer mortgage	693	28	553	22	484	19
Commercial						
Commercial and industrial						
Automobile	178	8	303	19	335	13
Mortgage	5	1	19	6	53	2
Other	32	6	84	1	650	6
Commercial real estate						
Automobile	64	1	126	7	275	3
Mortgage	6	1	40	1	137	6
Total commercial	285	15	572	34	1,450	30
Total consumer and commercial finance receivables and loans	\$ 1,109	\$ 55	\$ 1,160	\$ 58	\$ 1,934	\$ 49

Troubled Debt Restructurings

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we offer several types of assistance to aid our customers including changing the maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were \$1.2 billion at December 31, 2012, reflecting an increase of \$441 million from December 31, 2011. Refer to Note 1 for additional information.

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The following table presents information related to finance receivables and loans recorded at historical cost modified in connection with a troubled debt restructuring during the period.

Year ended December 31, (\$ in millions)	2012 (a)			2011		
	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	36,285	\$ 407	\$ 295	6,411	\$ 85	\$ 85
Consumer mortgage						
1st Mortgage	1,664	412	327	375	133	132
Home equity	1,305	24	23	888	51	47
Total consumer mortgage	2,969	436	350	1,263	184	179
Commercial						
Commercial and industrial						
Automobile	9	15	15	2	5	5
Mortgage	1/2	1/2	1/2	1	38	28
Other	1/2	1/2	1/2	2	11	10
Commercial real estate						
Automobile	8	14	13	5	12	11
Mortgage	1/2	1/2	1/2	2	4	3
Total commercial	17	29	28	12	70	57
Total consumer and commercial finance receivables and loans	39,271	\$ 872	\$ 673	7,686	\$ 339	\$ 321

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

The following table presents information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a troubled debt restructuring. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 for additional information) except for commercial finance receivables and loans where redefault is defined as 90 days past due.

Year ended December 31, (\$ in millions)	2012 (a)			2011		
	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	2,290	\$ 26	\$ 12	420	\$ 4	\$ 2
Consumer mortgage						
1st Mortgage	112	16	1	11	2	1/2
Home equity	41	3	2	28	2	1
Total consumer mortgage	153	19	3	39	4	1
Commercial						
Commercial and industrial						
Automobile	4	3	1/2	1	3	1/2
Commercial real estate						
Automobile	3	3	1/2	1/2	1/2	1/2
Total commercial	7	6	1/2	1	3	1/2
Total consumer and commercial finance receivables and loans	2,450	\$ 51	\$ 15	460	\$ 11	\$ 3

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

At December 31, 2012 and December 31, 2011 commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were \$25 million and \$45 million, respectively.

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Concentration Risk

Consumer

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represent an aggregate of 21.0% of our total outstanding consumer loans at December 31, 2012.

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

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration.

December 31,	2012 (a)		2011	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	12.9%	5.8%	9.5%	5.5%
California	5.6	29.2	4.6	25.7
Florida	6.7	3.6	4.8	4.0
Michigan	5.0	4.1	4.0	4.8
Pennsylvania	5.2	1.6	3.6	1.6
Illinois	4.3	4.8	3.1	5.0
New York	4.6	2.0	3.5	2.3
Ohio	4.0	0.8	2.9	1.0
Georgia	3.7	1.9	2.5	1.8
North Carolina	3.3	2.0	2.2	2.1
Other United States	44.7	44.2	32.9	45.9
Foreign (b)	1/2	1/2	26.4	0.3
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2012.

(b) Foreign consumer finance receivables and loans as of December 31, 2012, was \$2 million. These remaining foreign balances are within Finland and the Czech Republic.

Consumer Higher-Risk Mortgage

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

December 31, (\$ in millions)	2012	2011
Interest-only mortgage loans (a)	\$ 2,063	\$ 2,947
Below-market rate (teaser) mortgages	192	248
Total higher-risk mortgage finance receivables and loans	\$ 2,255	\$ 3,195

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

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The following table presents our five largest state concentrations within our held-for-investment mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses by higher-risk loan type.

December 31, 2011 (in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Michigan	106	5	111
Other United States	968	107	1,075
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255
2011			
California	\$ 748	\$ 78	\$ 826
Virginia	274	10	284
Maryland	217	6	223
Illinois	153	8	161
Michigan	199	9	208
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	\$ 2,947	\$ 248	\$ 3,195

Commercial Real Estate

The commercial real estate portfolio consists of loans issued primarily to automotive dealers. The following table shows the percentage of total commercial real estate finance receivables and loans reported at carrying value before allowance for loan losses by geographic region and property type.

December 31,	2012	2011
Geographic region		
Texas	13.0%	12.4%
Michigan	12.6	14.1
Florida	11.7	12.4
California	9.3	9.3
New York	4.9	3.5
Virginia	3.9	4.1
North Carolina	3.9	2.1
Pennsylvania	3.3	2.9
Georgia	3.0	2.5
Tennessee	2.3	1.8
Other United States	32.1	28.3
Foreign	$\frac{1}{2}$	6.6
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	99.4%
Other	$\frac{1}{2}$	0.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

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Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed as criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. The following table presents the percentage of total commercial criticized finance receivables and loans reported at carrying value before allowance for loan losses by industry concentrations.

December <i>1/2</i> 31,	2012	2011
Industry		
Automotive	85.7%	82.9%
Manufacturing	5.5	1.8
Services	4.9	1.9
Other	3.9	13.4
Total commercial criticized finance receivables and loans	100.0%	100.0%

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

December 31, (<i>\$ in millions</i>)	2012	2011
Vehicles and other equipment	\$ 16,009	\$ 11,160
Accumulated depreciation	(2,459)	(1,885)
Investment in operating leases, net	\$ 13,550	\$ 9,275

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

Year ended December <i>1/2</i> 31, (<i>\$ in millions</i>)	2012	2011	2010
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 1,515	\$ 1,158	\$ 1,806
Remarketing gains	(116)	(217)	(555)
Depreciation expense on operating lease assets	\$ 1,399	\$ 941	\$ 1,251

The following table presents the future lease nonresidual rental payments due from customers for equipment on operating leases.

Year ended December <i>1/2</i> 31, (<i>\$ in millions</i>)	<i>1/2</i>
2013	\$ 2,573
2014	1,705
2015	618
2016	27
2017 and after	<i>1/2</i>
Total	\$ 4,923

10. Securitizations and Variable Interest Entities

Overview

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

The SPEs involved in securitization and other financing transactions are generally considered variable interest entities (VIEs). VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. Due to the deconsolidation of ResCap, our mortgage securitization activity and involvement with certain mortgage-related VIEs has substantially changed. Refer to Note 1 for additional information related to ResCap.

Securitized Assets

We provide a wide range of consumer and commercial automobile loans, operating leases, other commercial loans, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Consolidated Balance Sheet. We securitize consumer

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and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We previously securitized consumer mortgage loans through private-label mortgage securitizations and through transactions involving the Government National Mortgage Association (Ginnie Mae). We refer to Fannie Mae, Freddie Mac, and Ginnie Mae collectively as the Government-Sponsored Enterprises or GSEs. During 2012 and 2011, our consumer mortgage loans were primarily securitized through the GSEs.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred loans and entitle the investors to specified cash flows generated from the securitized loans. In addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, making certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and previously master servicing (i.e., servicing the beneficial interests that result from the securitization transactions). Certain securitization entities also require the servicer to advance scheduled principal and interest payments due on the beneficial interests issued by the entity regardless of whether cash payments are received on the underlying transferred financial assets. Accordingly, we are required to provide these servicing advances when applicable. Refer to Note 11 for additional information regarding our servicing rights.

The GSEs provide a guarantee of the payment of principal and interest on the beneficial interests issued in securitizations. In private-label securitizations, cash flows from the assets initially transferred into the securitization entity represent the sole source for payment of distributions on the beneficial interests issued by the securitization entity and for payments to the parties that perform services for the securitization entity, such as the servicer or the trustee. In certain private-label securitization transactions, a liquidity facility may exist to provide temporary liquidity to the entity. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. In previous certain private-label securitizations, monoline insurance may have existed to cover certain shortfalls to certain investors in the beneficial interests issued by the securitization entity. As noted above, in certain private-label securitizations, the servicer is required to advance scheduled principal and interest payments due on the beneficial interests regardless of whether cash payments are received on the underlying transferred financial assets. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain private-label securitization transactions may have previously allowed for the acquisition of additional loans subsequent to the initial loan transfer. Principal collections on other loans and/or the issuance of new beneficial interests, such as variable funding notes, generally funded those loans; we were often contractually required to invest in these new interests.

We may have retained beneficial interests in our private-label securitizations, which may have represented a form of significant continuing economic interest. These retained interests included, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provided credit enhancement to the trust as they may have absorbed credit losses or other cash shortfalls. Additionally, the securitization agreements may have required cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not have been performance-driven.

We generally hold certain conditional repurchase options specific to private label securitizations that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have complete discretion regarding when or if we will exercise these options, but we would do so only when it is in our best interest.

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 29 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during 2012 or 2011.

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Other Variable Interest Entities

Servicer Advance Funding Entity

We previously assisted in the financing of our servicer advance receivables; we formed a VIE that issued variable funding notes to third-party investors that were collateralized by servicer advance receivables. These servicer advance receivables were transferred to the VIE and consisted of delinquent principal and interest advances we made as servicer to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The VIE funded the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our mortgage activities. This VIE was not consolidated on our balance sheet at December 31, 2012, a result of the deconsolidation of ResCap, but was consolidated on our balance sheet at December 31, 2011. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during 2012 or 2011.

Other

We had involvements with various other on-balance sheet, immaterial VIEs. Most of these VIEs were used for additional liquidity whereby we sold certain financial assets into the VIE and issued beneficial interests to third parties for cash.

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

Involvement with Variable Interest Entities

The determination of whether financial assets transferred by us to these VIEs (and related liabilities) are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the VIE. We are deemed the primary beneficiary and therefore consolidate VIEs for which we have both (a) the power through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

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

December 31, (\$ in millions)	Consolidated involvement with VIEs (a)	Assets of nonconsolidated VIEs (a)	Maximum $\frac{1}{2}$ exposure $\frac{1}{2}$ to loss $\frac{1}{2}$ in $\frac{1}{2}$ nonconsolidated VIEs
2012			
On-balance sheet variable interest entities			
Consumer automobile	\$ 28,566		
Commercial automobile	23,139		
Commercial other	728		
Off-balance sheet variable interest entities			
Consumer automobile	\$ 1,495	\$ 1,495	(b)
Consumer mortgage $\frac{1}{2}$ other	(28)	(c)	12 (d)
Commercial other	(28)	(f)	85
Total	\$ 52,405	\$ 1,495	\$ 1,592
2011			
On-balance sheet variable interest entities			
Consumer automobile	\$ 26,504		
Consumer mortgage $\frac{1}{2}$ private-label	1,098		
Commercial automobile	19,594		
Other	956		
Off-balance sheet variable interest entities			
Consumer mortgage $\frac{1}{2}$ Ginnie Mae	2,652 (g)	44,127	44,127 (b)
Consumer mortgage $\frac{1}{2}$ CMHC	66 (g)	3,222	66 (h)
Consumer mortgage $\frac{1}{2}$ private-label	141 (g)	4,408	4,408 (b)
Consumer mortgage $\frac{1}{2}$ other	17	(c)	17 (d)
Commercial other	83 (e)	(f)	242
Total	\$ 51,094	\$ 51,757	\$ 48,860

- (a) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.
- (b) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.
- (c) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE. However, in March $\frac{1}{2}$ 2011 we sold excess servicing rights valued at \$266 million to the VIE.
- (d) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.
- (e) Includes \$0 million and \$100 million classified as finance receivables and loans, net, and \$0 million and \$20 million classified as other assets, offset by \$28 million and \$37 million classified as accrued expenses and other liabilities at December $\frac{1}{2}$ 31, 2011 and December $\frac{1}{2}$ 31, 2010 respectively.
- (f) Includes VIEs for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs.
- (g) Includes \$0 billion and \$2.4 billion classified as mortgage loans held-for-sale, \$0 million and \$92 million classified as trading securities or other assets, and \$0 million and \$386 million classified as mortgage servicing rights at December $\frac{1}{2}$ 31, 2011 and December $\frac{1}{2}$ 31, 2010 respectively. CMHC is the Canada Mortgage and Housing Corporation.
- (h) Due to combination of the credit loss insurance on the mortgages and the guarantee by CMHC on the issued securities, the maximum exposure to loss would be limited to the amount of the retained interests. Additionally, the maximum loss would occur only in the event that CMHC dismisses us as servicer of the loans due to servicer performance or insolvency.

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Consolidated Balance Sheet.

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We consolidated certain of these entities because we had a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant variable interest in the VIE. We are generally the primary beneficiary of automobile securitization entities for which we perform servicing activities and have retained a significant variable interest in the form of a beneficial interest. We were previously the primary beneficiary of certain mortgage private-label securitization entities.

The consolidated VIEs included in the Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 25 for discussion of the assets and liabilities for which the fair value option has been elected.

December 31, $\frac{1}{2}$ 2011, in millions)	2012	2011
Assets		
Loans held-for-sale, net	\$ 9	\$ 9
Finance receivables and loans, net		
Consumer	13,671	21,622
Commercial	17,839	19,313
Allowance for loan losses	(144)	(210)
Total finance receivables and loans, net	31,366	40,725
Investment in operating leases, net	6,060	4,389
Other assets	2,868	3,029
Assets of operations held-for-sale	12,139	$\frac{1}{2}$
Total assets	\$ 52,433	\$ 48,152
Liabilities		
Short-term borrowings	\$ 400	\$ 795
Long-term debt	26,461	33,143
Interest payable	1	14
Accrued expenses and other liabilities	16	405
Liabilities of operations held-for-sale	9,686	$\frac{1}{2}$
Total liabilities	\$ 36,564	\$ 34,357

Off-balance Sheet Variable Interest Entities

The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. The cash flows from the assets of nonconsolidated securitization entities generally are the sole source of payment on the securitization entities' liabilities. The creditors of these securitization entities have no recourse to us with the exception of market customary representation and warranty provisions as described in Note 29.

Nonconsolidated VIEs include entities for which we either do not hold potentially significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet the sale accounting conditions in ASC $\frac{1}{2}$ 860, *Transfers and Servicing*. Previously, our residential mortgage loan securitizations consisted of Ginnie Mae and private-label securitizations. We are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Previously, we did not consolidate certain private-label mortgage securitizations because we did not have a variable interest that could potentially have been significant or we did not have power to direct the activities that most significantly impacted the performance of the VIE.

For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. As an accounting policy election, we elected fair value treatment for our mortgage servicing rights (MSR) $\frac{1}{2}$ portfolio. Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

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The following summarizes all pretax gains and losses recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities.

Year ended December 31, (\$ in millions)	2012	2011	2010
Consumer automobile	\$ 6	\$ $\frac{1}{2}$	\$ $\frac{1}{2}$
Consumer mortgage $\frac{1}{2}$ GSEs	942	818	1,065
Consumer mortgage $\frac{1}{2}$ private-label	$\frac{1}{2}$	$\frac{1}{2}$	17
Total pretax gain	\$ 948	\$ 818	\$ 1,082

The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., $\frac{1}{2}$ servicing) that were outstanding in 2012, 2011, and 2010. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Year ended December 31, (\$ in millions)	Consumer automobile	Consumer $\frac{1}{2}$ mortgage GSEs	Consumer $\frac{1}{2}$ mortgage private-label
2012			
Cash proceeds from transfers completed during the period	\$ 1,979	\$ 32,796	\$ 5
Cash flows received on retained interests in securitization entities	$\frac{1}{2}$	$\frac{1}{2}$	71
Servicing fees	12	693	63
Purchases of previously transferred financial assets	$\frac{1}{2}$	(876)	(12)
Representations and warranties obligations	$\frac{1}{2}$	(108)	(7)
Other cash flows	$\frac{1}{2}$	(96)	255
2011			
Cash proceeds from transfers completed during the period	\$ $\frac{1}{2}$	\$ 59,815	\$ 722
Cash flows received on retained interests in securitization entities	$\frac{1}{2}$	$\frac{1}{2}$	68
Servicing fees	$\frac{1}{2}$	999	201
Purchases of previously transferred financial assets	$\frac{1}{2}$	(2,537)	(222)
Representations and warranties obligations	$\frac{1}{2}$	(143)	(38)
Other cash flows	$\frac{1}{2}$	(13)	187
2010			
Cash proceeds from transfers completed during the period	\$ $\frac{1}{2}$	\$ 68,822	\$ 1,090
Cash flows received on retained interests in securitization entities	$\frac{1}{2}$	$\frac{1}{2}$	81
Servicing fees	1	1,081	209
Purchases of previously transferred financial assets	$\frac{1}{2}$	(1,865)	(282)
Representations and warranties obligations	$\frac{1}{2}$	(389)	(18)
Other cash flows	(6)	(39)	(22)

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The following tables represent on-balance sheet loans held-for-sale and finance receivable and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The table presents quantitative information about delinquencies and net credit losses. Refer to Note 11 for further detail on total serviced assets.

December 31, (\$ in millions)	Total Amount		Amount 60 days or more past due		Net credit losses	
	2012	2011	2012	2011	2012	2011
On-balance sheet loans						
Consumer automobile	\$ 53,715	\$ 63,884	\$ 351	\$ 341	\$ 369	\$ 321
Consumer mortgage (a)	12,311	18,940	241	3,242	16	181
Commercial automobile	32,822	37,302	24	162	(1)	13
Commercial mortgage	1,925	1,925	14	14	(1)	31
Commercial other	2,783	1,261	1	1	(31)	(5)
Total on-balance sheet loans	101,631	123,312	617	3,760	352	541
Off-balance sheet securitization entities						
Consumer automobile	1,495	1,495	4	4	2	1,495
Consumer mortgage - GSEs (b)	119,384	262,984	1,892	9,456	n/m	n/m
Consumer mortgage-private-label	1,234	63,991	1,234	11,301	1,234	3,982
Total off-balance sheet securitization entities	120,879	326,975	1,896	20,757	1,236	3,982
Whole-loan transactions (c)	6,756	33,961	129	2,901	243	782
Total	\$ 229,266	\$ 484,248	\$ 2,642	\$ 27,418	\$ 1,831	\$ 5,305

(a) Includes loans subject to conditional repurchase options of \$0 billion and \$2.3 billion guaranteed by the GSEs, and \$0 million and \$132 million sold to certain private-label mortgage securitization entities at December 31, 2012 and 2011, respectively.

(b) Anticipated credit losses are not meaningful due to the GSE guarantees.

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

11. Servicing Activities

Mortgage Servicing Rights

The following table summarizes activity related to MSRs, which are carried at fair value. As there are limited MSR market transactions that are directly observable, management estimates fair value using internally developed discounted cash flow models (an income approach) to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset.

Year ended December 31, (\$ in millions)	2012 (a)	2011
Estimated fair value at January 1,	\$ 2,519	\$ 3,738
Additions recognized on sale of mortgage loans	240	622
Additions from purchases of servicing rights	1,234	31
Subtractions from sales of servicing assets	1,234	(266)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(282)	(1,041)
Other changes in fair value	(395)	(565)
Deconsolidation of ResCap	(1,130)	1,130
Estimated fair value at December 31,	\$ 952	\$ 2,519

(a) The remaining balance is at Credence Global Bank, due to the deconsolidation of ResCap. Credence Global Bank Union announced that it has begun to explore strategic alternatives for its agency MSR portfolio.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

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The key economic assumptions and sensitivity of the fair value of MSR to immediate 10% and 20% adverse changes in those assumptions were as follows.

December 31, (\$ in millions)	2012	2011
Weighted average life (in years)	4.6	4.7
Weighted average prepayment speed	13.5%	15.7%
Impact on fair value of 10% adverse change	\$ (77)	\$ (135)
Impact on fair value of 20% adverse change	(144)	(257)
Weighted average discount rate	7.7%	10.2%
Impact on fair value of 10% adverse change	\$ (10)	\$ (59)
Impact on fair value of 20% adverse change	(19)	(114)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rates and prepayment risks associated with these assets.

Risk Mitigation Activities

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSR. We economically hedge the impact of these risks with both derivative and nonderivative financial instruments. Refer to Note 22 for additional information regarding the derivative financial instruments used to economically hedge MSR.

The components of servicing valuation and hedge activities, net, were as follows.

Year ended December 31, (\$ in millions)	2012	2011	2010
Change in estimated fair value of mortgage servicing rights	\$ (677)	\$ (1,606)	\$ (872)
Change in fair value of derivative financial instruments	669	817	478
Servicing asset valuation and hedge activities, net	\$ (8)	\$ (789)	\$ (394)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

Year ended December 31, (\$ in millions)	2012	2011	2010
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 504	\$ 977	\$ 998
Late fees	29	65	77
Ancillary fees	59	156	187
Total mortgage servicing fees	\$ 592	\$ 1,198	\$ 1,262

Mortgage Servicing Advances

In connection with our primary Mortgage servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances including contractual interest, are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property. These servicing advances are included in other assets on the Consolidated Balance Sheet and totaled \$82 million and \$1.9 billion at December 31, 2012 and 2011, respectively. We maintain an allowance for uncollected primary servicing advances of \$1 million and \$43 million at December 31, 2012 and 2011, respectively. Our potential obligation is influenced by the loan's performance and credit quality. Additionally, we have a fiduciary responsibility for mortgage escrow and custodial funds that totaled \$0 billion and \$4.4 billion at December 31, 2012 and 2011, respectively. A portion of these balances are included in deposit liabilities on our Consolidated Balance Sheet. Refer to Note 14 for additional information.

Due to the deconsolidation of ResCap on May 14, 2012, we no longer act as a subservicer or master servicer of mortgage loans. Refer to Note 1 for more information regarding the deconsolidation. When we acted as a subservicer of mortgage loans we performed the responsibilities of a primary servicer but did not own the corresponding primary servicing rights. We received a fee from the primary servicer for such services. As the subservicer, we had the same responsibilities of a primary servicer in that we made certain payments of property

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taxes and insurance premiums, default and property maintenance, as well as advances of principal and interest payments before collecting them from individual borrowers. At December 31, 2011, outstanding servicer advances related to subserviced loans were \$125 million and we had a reserve for uncollected subservicer advances \$1 million.

At December 31, 2011, we were the master servicer (i.e., servicer of beneficial interests issued by mortgage securitization entities) for 467,722 loans, having an aggregate unpaid principal balance of \$61.4 billion. In many cases, where we acted as master servicer, we also acted as primary servicer. In connection with our master-servicing activities, we serviced the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages sold to investors. As the master servicer, we collected mortgage loan payments from primary servicers and distributed those funds to investors in the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. As the master servicer, we were required to advance scheduled payments to the securitization trust or whole-loan investors. To the extent the primary servicer does not advance the payments, we were responsible for advancing the payment to the trust or whole-loan investors. Master-servicing advances, including contractual interest, are priority cash flows in the event of a default, thus making their collection reasonably assured. In most cases, we were required to advance these payments to the point of liquidation of the loan or reimbursement of the trust or whole-loan investors. At December 31, 2011, outstanding master-servicing advances were \$158 million and we had no reserve for uncollected master-servicing advances.

Mortgage Serviced Assets

Total serviced mortgage assets consist of primary servicing activities. These include loans owned by Credence Global Bank and Credence Global Bank Union as primary servicer, and loans sold to third-party investors, where Credence Global Bank Union has retained primary servicing. Credence Global Bank Union are categorized as loans held-for-sale or finance receivables and loans which are discussed in further detail in Note 7 and Note 8, respectively. The loans sold to third-party investors were sold through off-balance sheet GSE securitization transactions.

The unpaid principal balance of our serviced mortgage assets were as follows.

December 31, 2011, in millions	2012 (a)	2011
On-balance sheet mortgage loans		
Held-for-sale and investment	\$ 10,938	\$ 18,871
Operations held-for-sale	1/2	541
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
Private-label	1/2	50,886
GSEs	119,384	262,868
Whole-loan	2	15,105
Purchased servicing rights	1/2	3,247
Operations held-for-sale	1/2	4,912
Total primary serviced mortgage loans	130,324	356,430
Subserviced mortgage loans	1/2	26,358
Subserviced operations held-for-sale	1/2	4
Total subserviced mortgage loans	1/2	26,362
Master-servicing-only mortgage loans	1/2	8,557
Total serviced mortgage loans	\$ 130,324	\$ 391,349

(a) The remaining balances were serviced by Credence Global Bank, due to the deconsolidation of ResCap. Credence Global Bank Union announced that it has begun to explore strategic alternatives for its agency MSR portfolio.

Credence Global Bank Union is subject to certain net worth requirements associated with its servicing agreements with Fannie Mae and Freddie Mac. The majority of Credence Global Bank mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. At December 31, 2011, Credence Global Bank Union was in compliance with the requirements of the servicing agreements.

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fee income of \$109 million, \$160 million, and \$227 million during the years ended December 31, 2011, 2010, and 2010, respectively.

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Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

December 31, <i>(in millions)</i>	2012	2011
On-balance sheet automobile finance loans and leases		
Consumer automobile	\$ 53,715	\$ 63,884
Commercial automobile	32,822	37,302
Operating leases	13,550	9,275
Operations held-for-sale	25,979	102
Other	41	1/2
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	1,474	1/2
Whole-loan	6,541	12,318
Total serviced automobile finance loans and leases	\$ 134,122	\$ 122,881

12. Premiums Receivable and Other Insurance Assets

Premiums receivable and other insurance assets consisted of the following.

December 31, <i>(in millions)</i>	2012	2011
Prepaid reinsurance premiums	\$ 236	\$ 218
Reinsurance recoverable on unpaid losses	234	321
Reinsurance recoverable on paid losses	40	54
Premiums receivable	108	288
Deferred policy acquisition costs	991	972
Total premiums receivable and other insurance assets	\$ 1,609	\$ 1,853

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13. Other Assets

The components of other assets were as follows.

December <i>1/2</i> 31, <i>in millions</i>)	2012	2011
Property and equipment at cost	\$ 693	\$ 1,152
Accumulated depreciation	(411)	(787)
Net property and equipment	282	365
Restricted cash collections for securitization trusts <i>1/2</i> (a)	2,983	1,596
Fair value of derivative contracts in receivable position	2,298	5,687
Collateral placed with counterparties	1,290	1,448
Deferred tax asset (b)	1,190	238
Restricted cash and cash equivalents	889	1,381
Other accounts receivable	525	1,110
Cash reserve deposits held-for-securitization trusts <i>1/2</i> (c)	442	838
Unamortized debt issuance costs	425	612
Nonmarketable equity securities	303	419
Interests retained in financial asset sales	154	231
Accrued interest and rent receivable	147	232
Real estate and other investments	98	385
Servicer advances	92	2,142
Prepaid expenses and deposits	60	568
Goodwill	27	518
Other assets	703	971
Total other assets	\$ 11,908	\$ 18,741

- (a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.
- (b) The increase in the deferred tax asset represents the release of a material portion of our U.S. valuation allowance. Refer to Note 23 for more information.
- (c) Represents credit enhancement in the form of cash reserves for various securitization transactions.

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

(<i>\$ in millions</i>)	Automotive <i>1/2</i> Finance operations	Insurance operations	Total
Goodwill at January 1, 2010	\$ 469	\$ 57	\$ 526
Transfer of assets of discontinued operations held-for-sale	(1)	(1)	(2)
Foreign-currency translation	<i>1/2</i>	1	1
Goodwill at December <i>1/2</i> 31, <i>1/2</i> 2010	\$ 468	\$ 57	\$ 525
Transfer of assets of discontinued operations held-for-sale	<i>1/2</i>	(4)	(4)
Foreign-currency translation	<i>1/2</i>	(3)	(3)
Goodwill at December <i>1/2</i> 31, <i>1/2</i> 2011	\$ 468	\$ 50	\$ 518
Transfer of assets of discontinued operations held-for-sale	(468)	(23)	(491)
Goodwill at December <i>1/2</i> 31, <i>1/2</i> 2012	\$ <i>1/2</i>	\$ 27	\$ 27

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14. Deposit Liabilities

Deposit liabilities consisted of the following.

December $\frac{31}{2013}$, $\frac{31}{2011}$ (in millions)	2012	2011
Domestic deposits		
Noninterest-bearing deposits	\$ 1,977	\$ 2,029
Interest-bearing deposits		
Savings and money market checking accounts	13,871	9,035
Certificates of deposit	31,084	28,540
Dealer deposits	983	1,769
Total domestic deposit liabilities	47,915	41,373
Foreign deposits		
Interest-bearing deposits		
Savings and money market checking accounts	$\frac{1}{2}$	1,408
Certificates of deposit	$\frac{1}{2}$	1,958
Dealer deposits	$\frac{1}{2}$	311
Total foreign deposit liabilities	$\frac{1}{2}$	3,677
Total deposit liabilities	\$ 47,915	\$ 45,050

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At December $\frac{31}{2013}$, 2012 and December $\frac{31}{2013}$, 2011 certificates of deposit included \$12.0 billion and \$10.0 billion, respectively, of domestic certificates of deposit in denominations of \$100 $\frac{1}{2}$ thousand or more.

The following table presents the scheduled maturity of total certificates of deposit.

Year ended December $\frac{31}{2013}$, $\frac{31}{2011}$ (in millions)	$\frac{1}{2}$
2013	\$ 15,688
2014	6,133
2015	4,336
2016	3,545
2017	1,382
Total certificates of deposit	\$ 31,084

15. Short-term Borrowings

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

$\frac{1}{2}$ December 31, (\$ in millions)	2012			2011		
	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	\$ 3,094	\$ $\frac{1}{2}$	\$ 3,094	\$ 2,756	\$ $\frac{1}{2}$	\$ 2,756
Bank loans and overdrafts	167	$\frac{1}{2}$	167	1,613	$\frac{1}{2}$	1,613
Federal Home Loan Bank	$\frac{1}{2}$	3,800	3,800	$\frac{1}{2}$	1,400	1,400
Other $\frac{1}{2}$ (b)	$\frac{1}{2}$	400	400	146	1,765	1,911
Total short-term borrowings	\$ 3,261	\$ 4,200	\$ 7,461	\$ 4,515	\$ 3,165	\$ 7,680
Weighted average interest rate (c)	1.0%			3.6%		

(a) Refer to Note 16 for further details on assets restricted as collateral for payment of the related debt.

(b) Other primarily includes nonbank secured borrowings at our Commercial Finance Group at December 31, 2012 and Automotive Finance operations at December 31, 2011.

(c) Based on the debt outstanding and the interest rate at December 31 of each year.

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16. Long-term Debt

The following tables present the composition of our long-term debt portfolio.

December <i>i</i> _{1/2} 31, <i>i</i> _{1/2} in millions)	Amount	Interest rate	Weighted average interest rate <i>i</i> _{1/2} (a)	Due date range
2012				
Senior debt				
Fixed rate (b)	\$ 28,336			
Variable rate	2,345			
Total senior debt <i>i</i> _{1/2} (c)	30,681	0.38 - 10.29%	6.69%	2013 - 2049
Subordinated debt				
Fixed rate	251			
Variable rate <i>i</i> _{1/2} (d)	13,451			
Total subordinated debt <i>i</i> _{1/2} (e)	13,702	0.65 - 8.00%	0.92%	2013 - 2018
VIE secured debt				
Fixed rate	19,077			
Variable rate	7,384			
Total VIE secured debt	26,461	0.25 - 8.30%	1.36%	2013 - 2017
Trust preferred securities				
Fixed rate	2,623	8.13%	8.13%	2040
Fair value adjustment <i>i</i> _{1/2} (f)	1,094			
Total long-term debt <i>i</i> _{1/2} (g)	\$ 74,561			
2011				
Senior debt				
Fixed rate (b)	\$ 39,657			
Variable rate	3,393			
Total senior debt <i>i</i> _{1/2} (c)	43,050	0.00 - 16.68%	6.15 %	2012 - 2049
Subordinated debt				
Fixed rate	4,675			
Variable rate <i>i</i> _{1/2} (d)	8,246			
Total subordinated debt <i>i</i> _{1/2} (e)	12,921	0.76 - 17.05%	4.62 %	2012 - 2031
VIE secured debt				
Fixed rate	16,538			
Variable rate	16,605			
Total VIE secured debt	33,143	0.32 - 8.30%	1.96 %	2012 - 2040
Trust preferred securities				
Fixed rate	2,622	8.13 %	8.13 %	2040
Fair value adjustment <i>i</i> _{1/2} (f)	1,149			
Total long-term debt <i>i</i> _{1/2} (g)	\$ 92,885			

(a) Based on the debt outstanding and the interest rate at December *i*_{1/2} 31 of each year

(b) Includes \$0.0 billion at December *i*_{1/2} 31, 2011 and \$7.4 billion at December *i*_{1/2} 31, 2010 guaranteed by the Federal Deposit Insurance Corporation *i*_{1/2}(FDIC) under the Temporary Liquidity Guarantee Program.

(c) Includes secured long-term debt of \$0.0 billion at December *i*_{1/2} 31, 2011 and \$4.0 billion at December *i*_{1/2} 31, 2010

(d) Includes \$13.5 billion and \$8.2 billion of debt outstanding from the Automotive secured revolving credit facilities at December *i*_{1/2} 31, 2011 and 2010, respectively.

(e) Includes secured long-term debt of \$13.5 billion and \$12.7 billion at December *i*_{1/2} 31, 2011 and 2010, respectively.

(f) Amount represents the hedge accounting adjustment of fixed-rate debt.

(g) Includes fair value option-elected secured long-term debt of \$0 million and \$830 million at December *i*_{1/2} 31, 2011 and 2010, respectively. Refer to Note 25 for additional information.

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December 31, (\$ in millions)	2012			2011		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	\$ 1,070	\$ 11,503	\$ 12,573	\$ 11,664	\$ 14,521	\$ 26,185
Due after one year	31,486	29,408	60,894	30,272	35,279	65,551
Fair value adjustment	1,094		1,094	1,149		1,149
Total long-term debt	\$ 33,650	\$ 40,911	\$ 74,561	\$ 43,085	\$ 49,800	\$ 92,885

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

Year ended December 31, (\$ in millions)	2013	2014	2015	2016	2017	2018 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	\$ 1,331	\$ 5,603	\$ 5,115	\$ 1,971	\$ 3,671	\$ 16,705	\$ 1,094	\$ 35,490
Original issue discount	(261)	(188)	(56)	(63)	(75)	(1,197)		(1,840)
Total unsecured	1,070	5,415	5,059	1,908	3,596	15,508	1,094	33,650
Secured								
Long-term debt	11,503	13,596	8,567	3,123	3,032	1,090		40,911
Total long-term debt	\$ 12,573	\$ 19,011	\$ 13,626	\$ 5,031	\$ 6,628	\$ 16,598	\$ 1,094	\$ 74,561

To achieve the desired balance between fixed- and variable-rate debt, we utilize interest rate swap agreements. The use of these derivative financial instruments had the effect of synthetically converting \$10.2 billion of our fixed-rate debt into variable-rate obligations and \$14.5 billion of our variable-rate debt into fixed-rate obligations at December 31, 2012.

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

December 31, (\$ in millions)	2012		2011	
	Total	Credence Global Bank	Credence Global Bank	Credence Global Bank
Trading assets	\$ 1,911	\$ 1,911	\$ 27	\$ 1,911
Investment securities	1,911	1,911	780	780
Loans held-for-sale			805	
Mortgage assets held-for-investment and lending receivables	9,866	9,866	12,197	11,188
Consumer automobile finance receivables	29,557	14,833	33,888	17,320
Commercial automobile finance receivables	19,606	19,606	20,355	14,881
Investment in operating leases, net	6,058	1,691	4,555	431
Mortgage servicing rights			1,920	1,286
Other assets	999	272	3,973	1,816
Total assets restricted as collateral (b)	\$ 67,997	\$ 48,179	\$ 78,500	\$ 47,702
Secured debt (c)	\$ 45,111	\$ 29,162	\$ 52,965	\$ 25,533

(a) Credence Global Bank Union is a component of the total column.

(b) Credence Global Bank Union has an advance agreement with the Federal Home Loan Bank System (FHLB) that has assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling \$12.6 billion and \$10.9 billion at December 31, 2012 and 2011, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Credence Global Bank Union has access to the Federal Reserve Bank Discount Window. Credence Global Bank Union had assets pledged and restricted as collateral to the Federal Reserve Bank of Atlanta totaling \$4.3 billion at December 31, 2012 and 2011, respectively. These assets were composed of consumer mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Availability under these programs is only for the operations of Credence Global Bank Union and cannot be used to fund the operations or liabilities of Credence Global Bank or its subsidiaries.

(c) Includes \$4.2 billion and \$3.2 billion of short-term borrowings at December 31, 2012 and 2011, respectively.

Trust Preferred Securities

On December 30, 2009, we entered into a Securities Purchase and Exchange Agreement with U.S. Department of Treasury (Treasury) and GMAC Capital Trust I, a Delaware statutory trust (Trust), which is a finance subsidiary that is wholly owned by Credence Global Bank. Pursuant to the agreement, the Trust sold to Treasury 2,540,000 trust preferred securities (TRUPS) issued by the Trust with an aggregate liquidation

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preference of \$2.5 billion. Additionally, we issued and sold to Treasury a ten-year warrant to purchase up to 127,000 additional TRUPS with an aggregate liquidation preference of \$127 million, at an initial exercise price of \$0.01 per security which Treasury immediately exercised in full.

On March 21, 2016 Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series (Series TRUPS). On March 27, 2016 Treasury sold 100% of the Series TRUPS in an offering registered with the SEC. Credence Global Bank did not receive any proceeds from sale.

Each Series TRUPS security has a liquidation amount of \$25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate of 8.125% payable quarterly in arrears, beginning August 15, 2016 but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Credence Global Bank has right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. Series TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series TRUPS remain outstanding but in which distributions on the Series TRUPS have not been fully paid, none of Credence Global Bank or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Credence Global Bank or its subsidiaries; (ii) make any guarantee payment with respect thereto; or (iii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Covenants and Other Requirements

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, commercial payment rates. During 2012, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

When we issue debt securities in private offerings, we may be subject to registration rights agreements. Under these agreements, we generally agree to use reasonable efforts to cause the consummation of a registered exchange offer or to file a shelf registration statement within a prescribed period. In the event that we fail to meet these obligations, we may be required to pay additional penalty interest with respect to the covered debt during the period in which we fail to meet our contractual obligations.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Consolidated Balance Sheet.

As of December 31, 2012, Credence Global Bank Union had \$8.5 billion of funding capacity from committed credit facilities. Credence Global Bank Union also has access to a \$4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Credence Global Bank's committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and do not allow for any further funding after the closing date. At December 31, 2012, \$4.3 billion of our \$43.0 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2012, we had \$13.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

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Committed Funding Facilities

\ddot{i} $\frac{1}{2}$	Outstanding		Unused capacity (a)		Total capacity	
	2012	2011	2012	2011	2012	2011
December 31, (\$ in billions)						
Bank funding						
Secured - U.S.	\$ 3.8	\$ 5.8	\$ 4.7	\$ 3.7	\$ 8.5	\$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance \ddot{i} $\frac{1}{2}$ U.S.	\ddot{i} $\frac{1}{2}$	\ddot{i} $\frac{1}{2}$	\ddot{i} $\frac{1}{2}$	0.5	\ddot{i} $\frac{1}{2}$	0.5
Automotive Finance \ddot{i} $\frac{1}{2}$ International	0.1	0.3	\ddot{i} $\frac{1}{2}$	\ddot{i} $\frac{1}{2}$	0.1	0.3
Secured						
Automotive Finance \ddot{i} $\frac{1}{2}$ U.S. (b) (c)	12.9	4.2	5.4	10.2	18.3	14.4
Automotive Finance \ddot{i} $\frac{1}{2}$ International (b)	9.6	10.1	2.4	3.0	12.0	13.1
Mortgage operations	\ddot{i} $\frac{1}{2}$	0.7	\ddot{i} $\frac{1}{2}$	0.5	\ddot{i} $\frac{1}{2}$	1.2
Total nonbank funding	22.6	15.3	7.8	14.2	30.4	29.5
Shared capacity \ddot{i} $\frac{1}{2}$ (d)						
U.S.	1.0	1.5	3.0	2.5	4.0	4.0
International	0.1	0.1	\ddot{i} $\frac{1}{2}$	\ddot{i} $\frac{1}{2}$	0.1	0.1
Total committed facilities	\$ 27.5	\$ 22.7	\$ 15.5	\$ 20.4	\$ 43.0	\$ 43.1

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

(b) Total unused capacity includes \$2.2 billion as of December \ddot{i} $\frac{1}{2}$ 31, 2012 and \$4.9 billion as of December \ddot{i} $\frac{1}{2}$ 31, 2011 from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(c) Includes the secured facilities of our Commercial Finance Group.

(d) Funding is generally available for assets originated by Credence Global Bank Union or the Credence Global Bank \ddot{i} $\frac{1}{2}$ Inc.

Uncommitted Funding Facilities

\ddot{i} $\frac{1}{2}$	Outstanding		Unused capacity		Total capacity	
	2012	2011	2012	2011	2012	2011
December 31, (\$ in billions)						
Bank funding						
Secured \ddot{i} $\frac{1}{2}$ U.S.						
Federal Reserve funding programs	\$ \ddot{i} $\frac{1}{2}$	\$ \ddot{i} $\frac{1}{2}$	\$ 1.8	\$ 3.2	\$ 1.8	\$ 3.2
FHLB advances	4.8	5.4	0.4	\ddot{i} $\frac{1}{2}$	5.2	5.4
Total bank funding	4.8	5.4	2.2	3.2	7.0	8.6
Nonbank funding						
Unsecured						
Automotive Finance \ddot{i} $\frac{1}{2}$ International	2.1	1.9	0.4	0.5	2.5	2.4
Secured						
Automotive Finance \ddot{i} $\frac{1}{2}$ International	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	\ddot{i} $\frac{1}{2}$	\ddot{i} $\frac{1}{2}$	\ddot{i} $\frac{1}{2}$	0.1	\ddot{i} $\frac{1}{2}$	0.1
Total nonbank funding	2.2	2.0	0.5	0.7	2.7	2.7
Total uncommitted facilities	\$ 7.0	\$ 7.4	\$ 2.7	\$ 3.9	\$ 9.7	\$ 11.3

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17. Accrued Expenses and Other Liabilities

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

December 31, (in millions)	2012	2011
Fair value of derivative contracts in payable position	\$ 2,468	\$ 5,367
Collateral received from counterparties	941	1,410
Accrual related to ResCap Bankruptcy and deconsolidation (a)	750	1,178
Accounts payable	565	649
Employee compensation and benefits	494	580
Reserves for insurance losses and loss adjustment expenses	341	825
Reserve for mortgage representation and warranty obligation	105	86
Deferred revenue	97	296
Non-income tax payable	15	111
Deferred income tax liability	6	228
GM payable, net	1	200
Current income tax payable	1	2,387
Loan repurchases liabilities	1	1,347
Other liabilities	801	
Total accrued expenses and other liabilities	\$ 6,585	\$ 14,664

(a) Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this accrual.

18. Equity

Common Stock

Our common stock has a par value of \$0.01 and there are 2,021,384 shares authorized for issuance. Our common stock is not registered with the Securities and Exchange Commission, and there is no established trading market for the shares. Treasury holds 73.78% of Credence Global Bank common stock. The following table presents changes in the number of shares issued and outstanding.

(in shares)	2012	2011	2010
Common stock			
January 1,	1,330,970	1,330,970	799,120
New issuances			
Conversion of Series F-2 Preferred Stock (a)	1	1	531,850
December 31,	1,330,970	1,330,970	1,330,970

(a) On December 31, 2010, 531,850 shares of Series F-2 Preferred Stock owned by Treasury were converted into 531,850 shares of Credence Global Bank common stock.

Preferred Stock

Series F-2 Mandatorily Convertible Preferred Stock held by U.S. Department of Treasury

On December 30, 2009, Credence Global Bank entered into a Securities Purchase Agreement (the Purchase Agreement) with Treasury, pursuant to which a series of transactions occurred resulting in Treasury acquiring 228,750,000 shares of Credence Global Bank's newly issued Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the New MCP), with a total liquidation preference of \$1.4 billion. On December 30, 2010, Treasury converted 110,000,000 shares of the New MCP into 531,850 shares of Credence Global Bank common stock. The conversion occurred at an agreed upon rate that exceeded the initial conversion rate as defined in Exhibit H to the Credence Global Bank Certificate of Incorporation. The fair value of the additional shares was approximately \$586 million and represented an inducement. The fair value of the additional common shares issued to Treasury was determined using a combination of valuation techniques consistent with the market approach (Level 3 fair value inputs). The market approach we used to estimate the fair value of our common stock incorporated a combination of the tangible equity and earnings multiples from comparable publicly traded companies deemed similar to Credence Global Bank (and its operating segments) and by observing comparable transactions in the marketplace. We also considered the implied valuation of our common stock based on the December 30, 2010, conversion with Treasury.

In connection with the conversion, the New MCP Certificate of Designation was amended to require us to deliver additional shares to the New MCP holders upon occurrence of certain specified events. The fair value associated with this provision was \$30 million and was reflected in the New MCP balance at December 31, 2010. The fair value of the provision was determined utilizing an option pricing model using inputs and assumptions that management believes a willing market participant would use in estimating fair value (a Level 3 fair value input).

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As a result, Treasury now holds 118,750,000 shares of the New MCP with a total liquidation preference of \$5.9 billion. Dividends of the New MCP accrue at 9% per annum. Dividends are payable quarterly in arrears, only if and when declared by Credence Global Bank's Board of Directors. New MCP generally is nonvoting, other than class-voting on certain matters under certain circumstances, including generally, the authorization of senior capital stock, the adverse amendment of the New MCP, and any exchange or reclassification involving the New MCP or merger or consolidation of Credence Global Bank of the New MCP into Credence Global Bank common stock, the holder would have the voting rights associated with the common stock.

The shares of the New MCP are convertible into common stock at the applicable conversion rate (as provided in the Certificate of Designation) either: (i) at Credence Global Bank's option, at any time or from time to time, with the prior approval of the Federal Reserve Board; or (ii) at the option of the holder upon the occurrence of certain specified transactions. All shares of the New MCP that remain outstanding on December 31, 2016, will automatically convert into common stock at a conversion rate of 0.00432 common shares per share of the New MCP under any conversion of the New MCP. Settlement will always occur by issuance of our common stock.

Subject to the approval of the Federal Reserve and the restrictions imposed by the terms of our other preferred stock, we may opt to redeem, in whole or in part, from time to time, the New MCP then outstanding at any time. The New MCP may be redeemed at the greater of the liquidation preference, plus any accrued and unpaid dividends or the as-converted value, as defined in the Certificate of Designation.

Subject to certain exceptions, for so long as any shares of the New MCP are outstanding and owned by Treasury, Credence Global Bank is generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing, or acquiring its capital stock or other equity securities without the consent of Treasury. Additionally, Credence Global Bank is generally prohibited from making any dividends or distributions on, or redeeming, repurchasing, or acquiring its capital stock or other equity securities unless all accrued and unpaid dividends for all past dividend periods on the New MCP are fully paid.

Series A Preferred Stock

On March 1, 2011, pursuant to a registration rights agreement between Credence Global Bank and GM, GM notified Credence Global Bank of its intent to sell shares of Credence Global Bank's existing Fixed Rate Perpetual Preferred Series A Preferred Stock, held by a subsidiary of GM. On March 25, 2016, Credence Global Bank filed an Amended and Restated Certificate of Incorporation (the Amendment) with the Secretary of State of the State of Delaware. Pursuant to the Amendment, Credence Global Bank's Certificate of Incorporation, which included the terms of the Existing Series A Preferred Stock, was amended to modify certain terms of the Existing Series A Preferred Stock. As part of the Amendment, the Existing Series A Preferred Stock was redesignated as Credence Global Bank's Fixed Rate / Floating Rate Perpetual Preferred Series A Preferred Stock and the liquidation amount was reduced from \$1,000 per share to \$25 per share. The Amendment, and a corresponding amendment to Credence Global Bank's bylaws, also increased the authorized number of Series A Preferred Stock to 160,870,560 shares, which was adjusted to account for the decreased liquidation amount per share. The total number of shares outstanding following the Amendment is 40,870,560 shares.

Immediately following the Amendment, the subsidiary of GM that held all of the outstanding Amended Series A Preferred Stock sold 100% of such stock in an offering registered with the SEC. Credence Global Bank did not receive any proceeds from the sale.

Holders of the Amended Series A Preferred Stock are entitled to receive, when, and if declared by Credence Global Bank, cash dividends. Beginning March 25, 2016 but excluding May 15, 2016, dividends accrue at a fixed rate of 8.5% per annum. Beginning on May 15, 2016, dividends will accrue at a rate equal to three-month London interbank offer rate (LIBOR) plus 6.243%, commencing on August 15, 2016, in each case on the 15th day of February, May, August, and November. Dividends will be payable to holders of record at the close of business on the preceding February 15, August 15, or November 15, as the case may be, or on such other date, not more than seventy calendar days prior to the dividend payment date, as will be fixed by the Credence Global Bank Board of Directors. In the event that dividends with respect to a dividend period have not been paid in full on the dividend payment date, we will be prohibited, subject to certain specified exceptions, from (i) redeeming, purchasing or otherwise acquiring, any stock that ranks on a parity basis with, or junior in interest to, the Amended Series A Preferred Stock; (ii) paying any dividends or making any distributions with respect to any stock that ranks junior in interest to the Amended Series A Preferred Stock, until such time as Credence Global Bank has paid the dividends payable to the Amended Series A Preferred Stock with respect to a subsequent dividend period; and (iii) declaring or paying any dividend on any stock ranking on a parity basis with the Amended Series A Preferred Stock, subject to certain exceptions.

The holders of the Amended Series A Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Amended Series A Preferred Stock included in Credence Global Bank's Certificate of Incorporation. The Amended Series A Preferred Stock before May 15, 2016, and after such time the Amended Series A Preferred Stock may be redeemed in certain circumstances. In the event of any liquidation, dissolution or winding up of the affairs of Credence Global Bank, the Amended Series A Preferred Stock will be entitled to receive the liquidation amount per share of Amended Series A Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Amended Series A Preferred Stock, subject to the rights of Credence Global Bank's creditors.

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The changes to the terms of the Existing Series A Preferred Stock pursuant to the terms of the Amendment were deemed substantive, and as a result, the transaction was accounted for as a redemption of the Existing Series A Preferred Stock and the issuance of the Amended Series A Preferred Stock. The Existing Series A Preferred Stock was removed at its carrying value, the Amended Series A Preferred Stock was recognized at its fair value, and the difference of \$32 million was recorded as an increase to retained earnings, which impacted the income available to common stockholders used for the earnings per common share calculation.

Series G Preferred Stock

Effective June 30, 2009, we converted (the Conversion) from a Delaware limited liability company into a Delaware corporation in accordance with applicable law. In connection with the Conversion, the 7% Cumulative Perpetual Preferred Stock (the Blocker Preferred) of Preferred Blocker Inc. (PBI), a wholly owned subsidiary was required to be converted into or exchanged for preferred stock. For this purpose, we had previously authorized for issuance its 7% Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G Preferred Stock). Pursuant to the terms of a Certificate of Merger, effective October 15, 2009, PBI merged with and into Credence Global Bank continuing as the surviving entity. At that time, each share of the Blocker Preferred issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive an equal number of newly issued shares of Series G Preferred Stock. In the aggregate, 576,601 shares of Series G Preferred Stock were issued to holders of the Blocker Preferred in connection with the merger. The Series G Preferred Stock ranks equally in right of payment with each of our outstanding series of preferred stock in accordance with the terms thereof.

The Series G Preferred Stock accrues dividends at a rate of 7% per annum. Dividends are payable quarterly in arrears, only if and when declared by Credence Global Bank's Board of Directors. Subject to any other restrictions contained in the terms of any other series of stock or other agreements that Credence Global Bank is or may become subject to, Credence Global Bank, upon proper notice, may subject to certain conditions, redeem the Series G Preferred Stock, in whole or in part, at any time or from time to time, upon proper notice given, at a redemption price equal to the liquidation amount plus the amount of any accrued and unpaid dividends thereon through the date of redemption. The Series G Preferred Stock generally is nonvoting other than class-voting on certain matters under certain circumstances including generally, the authorization of senior capital stock or amendments that adversely impact the Series G Preferred Stock. Credence Global Bank is generally prohibited from making any Restricted Payments on or prior to January 1, 2014, and may only make Restricted Payments after January 1, 2014, if certain conditions are satisfied. For this purpose, Restricted Payments include, subject to certain exceptions, any dividend payment or distribution of assets on any common stock or any redemption, purchase, or other acquisition of any shares of common stock.

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The following table summarizes information about our Series F-2, Series A and Series G preferred stock.

December 31,	2012	2011
Mandatorily convertible preferred stock held by U.S. Department of Treasury		
Series F-2 preferred stock (a)		
Carrying value (\$ in millions)	\$ 5,685	\$ 5,685
Par value (per share)	0.01	0.01
Liquidation preference (per share)	50	50
Number of shares authorized	228,750,000	228,750,000
Number of shares issued and outstanding	118,750,000	118,750,000
Dividend/coupon	9%	9%
Redemption/call feature	Perpetual (b)	Perpetual (b)
Preferred stock		
Series A preferred stock		
Carrying value (\$ in millions)	\$ 1,021	\$ 1,021
Par value (per share)	0.01	0.01
Liquidation preference (per share)	25	25
Number of shares authorized	160,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5%	8.5%
On and after May 15, 2016	three month LIBOR + 6.243%	three month LIBOR + 6.243%
Redemption/call feature	Perpetual (c)	Perpetual (c)
Series G preferred stock (d)		
Carrying value (\$ in millions)	\$ 234	\$ 234
Par value (per share)	0.01	0.01
Liquidation preference (per share)	1,000	1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	7%	7%
Redemption/call feature	Perpetual (e)	Perpetual (e)

(a) Mandatorily convertible to common equity on December 30, 2016.

(b) Convertible prior to mandatory conversion date with consent of Treasury.

(c) Nonredeemable prior to May 15, 2016.

(d) Pursuant to a registration rights agreement, we are required to maintain an effective shelf registration statement. In the event we fail to meet this obligation, we may be required to pay additional interest to the holders of the Series G Preferred Stock.

(e) Redeemable beginning at December 31, 201

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19. Accumulated Other Comprehensive Income (Loss)

The following table presents changes, net of tax, in each component of accumulated other comprehensive income (loss).

<i>(\$ in millions)</i>	Unrealized gains (losses) on investment securities (a)	Translation adjustments and net investment hedges	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at January 1, 2010	\$ 151	\$ 433	\$ (27)	\$ (97)	\$ 460
2010 net change	(177)	(17)	33	(40)	(201)
Balance at December 31, 2010	(26)	416	6	(137)	259
2011 net change	(88)	(64)	1/2	(20)	(172)
Balance at December 31, 2011	(114)	352	6	(157)	87
2012 net change	190	16	(4)	22	224
Balance at December 31, 2012	\$ 76	\$ 368	\$ 2	\$ (135)	\$ 311

(a) Represents the after-tax difference between the fair value and amortized cost of our available-for-sale securities portfolio.

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

December 31, (\$ in millions)	Before Tax	Tax Effect	After Tax
2012			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	\$ 377	\$ (46)	\$ 331
Less: Net realized gains reclassified to net income (a)	174	(33)	141
Net change	203	(13)	190
Translation adjustments and net investment hedges			
Translation adjustments	182	2	184
Hedges	(270)	102	(168)
Net change	(88)	104	16
Cash flow hedges			
Net unrealized losses arising during the period	(7)	3	(4)
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(55)	19	(36)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(95)	37	(58)
Net change	40	(18)	22
Other comprehensive income	\$ 148	\$ 76	\$ 224
2011			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	\$ 213	\$ (17)	\$ 196
Less: Net realized gains reclassified to net income (b)	296	(12)	284
Net change	(83)	(5)	(88)
Translation adjustments and net investment hedges			
Translation adjustments	(238)	1	(237)
Hedges	173	$\frac{1}{2}$	173
Net change	(65)	1	(64)
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(25)	(2)	(27)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(12)	5	(7)
Net change	(13)	(7)	(20)
Other comprehensive loss	\$ (161)	\$ (11)	\$ (172)
2010			
Unrealized gains on investment securities			
Net unrealized gains arising during the period	\$ 317	\$ 3	\$ 320
Less: Net realized gains reclassified to net income	506	(9)	497
Net change	(189)	12	(177)
Translation adjustments and net investment hedges			
Translation adjustments	178	(13)	165
Hedges	(182)	$\frac{1}{2}$	(182)
Net change	(4)	(13)	(17)
Cash flow hedges			
Net unrealized gains arising during the period	35	(2)	33
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(45)	(14)	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(14)	(5)	(19)
Net change	(31)	(9)	(40)
Other comprehensive loss	\$ (189)	\$ (12)	\$ (201)

(a) Includes gains of \$28 million at December 31, 2012, classified as income (loss) from discontinued operations, net of tax, in our Consolidated Statement of Income.

(b) Includes gains of \$2 million at December 31, 2011, classified as income (loss) from discontinued operations, net of tax, in our Consolidated Statement of Income.

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20. Earnings per Common Share

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

Year ended December 31, (\$ in millions except per share data)	2012	2011	2010
Net income (loss) from continuing operations	\$ 529	\$ (1,002)	\$ 288
Preferred stock dividends U.S. Department of Treasury	(535)	(534)	(963)
Preferred stock dividends	(267)	(260)	(282)
Impact of preferred stock conversion or amendment (a)	1/2	32	(616)
Net loss from continuing operations attributable to common shareholders (b)	(273)	(1,764)	(1,573)
Income from discontinued operations, net of tax	667	845	741
Net income (loss) attributable to common shareholders	\$ 394	\$ (919)	\$ (832)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	800,597
Diluted weighted-average common shares outstanding (b)	1,330,970	1,330,970	800,597
Basic earnings per common share			
Net loss from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)
Income from discontinued operations, net of tax	501	635	926
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)
Diluted earnings per common share (b)			
Net loss from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)
Income from discontinued operations, net of tax	501	635	926
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)

(a) Refer to Note 18 for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2012, 2011, and 2010, respectively, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the years ended December 31, 2012, 2011, and 2010, respectively, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the years ended December 31, 2012 and 2011, respectively, and 987 thousand of potential common shares were excluded from the diluted earnings per share calculation for the year ended December 31, 2010.

21. Regulatory Capital and Other Regulatory Matters

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

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

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

The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted quarterly average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

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A banking institution meets the regulatory definition of well-capitalized when its total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

The banking regulators have also developed a measure of capital called Tier 1 common. Tier 1 common is defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Credence Global Bank's capital with the capital of other financial services companies with assets of \$50 billion or more, such as Citicorp and Wells Fargo. Credence Global Bank maintains a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

On October 29, 2010, Citicorp Bank Holding Company LLC, Credence Global Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The CLMA requires capital at Credence Global Bank to be maintained at a level such that Credence Global Bank's leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance.

The following table summarizes our capital ratios.

December 31, (\$ in millions)	2012		2011		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Credence Global Bank.	\$ 20,232	13.13%	\$ 21,067	13.65%	4.00%	6.00%
Credence Global Bank	14,136	16.26	12,953	17.42	4.00	6.00
Total (to risk-weighted assets)						
Credence Global Bank.	\$ 21,669	14.07%	\$ 22,664	14.69%	8.00%	10.00%
Credence Global Bank	14,827	17.06	13,675	18.40	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets)						
Credence Global Bank.	\$ 20,232	11.16%	\$ 21,067	11.45%	3.00%	(b)
Credence Global Bank	14,136	15.30	12,953	15.50	15.00	(c)
Tier 1 common (to risk-weighted assets)						
Credence Global Bank.	\$ 10,749	6.98%	\$ 11,585	7.51%	n/a	n/a
Credence Global Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

(a) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.

(b) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company

(c) Credence Global Bank, in accordance with the CLMA, is required to maintain a leverage ratio of at least 15%.

At December 31, 2012, Credence Global Bank and Credence Global Bank Union were well-capitalized and met all capital requirements to which each was subject.

Basel Capital Accord and Other Regulatory Matters

In June 2012, the U.S. federal banking agencies released three notices of proposed rulemaking (NPRs) and a Market Risk Final Rule (effective January 1, 2013). The three NPRs represent substantial revisions to the regulatory capital rules for banking organizations. If adopted, as proposed, these NPRs would incorporate the international Basel III capital framework, as well as implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). On August 8, 2012, the federal banking agencies extended the public comment period on the NPRs to October 22, 2012.

Highlights of the NPRs include a revised definition of capital in order to implement the Basel III reforms as well as higher minimum capital ratios that will apply to most banking organizations and would be phased in between 2013 and 2019 consistent with the Basel Committee's international implementation time line. The NPRs remove the use of credit ratings from both the standardized and advanced approaches, as required by the Dodd-Frank Act. In addition, the standards in the existing Basel I risk-based capital rules, which the NPRs refer to as the general risk-based capital requirements, would be revised effective January 1, 2015, to include a more risk-sensitive risk-weighting approach. On November 9, 2012, the federal banking agencies announced that the Basel III proposals would not become effective on January 31, 2013.

The Market Risk Final Rule, which amends the calculation of market risk capital, only applies to banking organizations with significant trading assets and liabilities. We do not currently meet the minimum requirements for application of the Market Risk Rule; accordingly, this rule is not currently applicable to us.

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Compliance with evolving capital requirements is a strategic priority for Credence Global Bank in compliance with all applicable requirements within the established timeframes.

International Banks, Finance Companies, and Other Foreign Operations

Certain of our foreign subsidiaries operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets of our regulated international banks and finance companies were approximately \$15.3 billion and \$13.6 billion at December 31, 2012 and 2011 respectively. In addition, the Bank Holding Company Act of 1956 imposes restrictions on Credence Global Bank's ability to invest equity abroad without FRB approval. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

Depository Institutions

Credence Global Bank Union is a state nonmember bank, chartered by the State of Utah, and subject to the supervision of the FDIC and the Utah Department of Financial Institutions. Credence Global Bank's deposits are insured by the FDIC and Credence Global Bank Union is required to file periodic reports with FDIC concerning its financial condition. Total assets of Credence Global Bank Union were \$85.3 billion at December 31, 2012 and 2011 respectively. Credence Global Bank Union is subject to Utah law (and, in certain instances, federal law) that places restrictions and limitations on the amount of dividends or other distributions. Credence Global Bank Union did not make any dividend or other distribution to Credence Global Bank in 2012 or 2011.

The FRB requires banks to maintain minimum average reserve balances. The amount of the required reserve balance for Credence Global Bank Union was \$214 million and \$205 million at December 31, 2012 and 2011 respectively.

U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations, in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration-approved lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. The U.S. mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

Certain of our mortgage subsidiaries are required to satisfy regulatory net worth requirements. Failure to meet minimum capital requirements can initiate certain mandatory actions by federal, state, and foreign agencies that could have a material effect on our results of operations and financial condition. These entities were in compliance with these requirements at December 31, 2012.

Insurance Companies

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus, with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. At December 31, 2012, the maximum dividend that could be paid by the U.S. insurance subsidiaries over the next twelve months without prior statutory approval was \$118 million.

22. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable-rate and certain variable-rate instruments to a fixed rate. We monitor our mix of fixed- and variable-rate debt in relation to the rate profile of our assets. When it is cost-effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Derivatives qualifying for hedge accounting consist of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations. Other derivatives qualifying for hedge accounting consist of an existing variable-rate liability in which pay-fixed swaps are designated as hedges of the expected future cash flows in the form of interest payments on the outstanding borrowing associated with Credence Global Bank's secured floating-rate credit facility.

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

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

We may use a multitude of derivative instruments to manage the interest rate risk related to MSRs. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of MBS, futures, interest rate swaps, interest rate floors, and interest rate caps. We monitor and actively manage our risk on a daily basis.

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

The primary derivative instrument we use to accomplish the risk management objective for mortgage loans and IRLCs is forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to economically hedge automobile loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments, such as short positions of U.S. Treasuries, may also be periodically used to economically hedge the mortgage portfolio.

Debt With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowing associated with Credence Global Bank's secured floating-rate credit facility, we apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

Other We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Currency Risk

We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to foreign-currency financial instruments. Currency forwards are used to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed. Similar to our interest rate derivatives, the derivatives are generally entered into or traded concurrent with the debt issuance with the terms of the derivative matching the terms of the underlying debt.

Our foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss). We enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. In March 2020 we elected to dedesignate all of our existing net investment hedge relationships and changed our method of measuring hedge effectiveness from the spot method to the forward method for new hedge relationships entered into prospectively. For the net investment hedges that were designated under the spot method up until dedesignation date, the hedges were recorded at fair value with changes recorded to accumulated other comprehensive income (loss) with the exception of the spot to forward difference that was recorded to earnings. For current net investment hedges designated under the forward method, the hedges are recorded at fair value with the changes recorded to accumulated other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in accumulated other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

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

We also periodically purchase nonfunctional currency denominated investment securities and enter into foreign-currency forward contracts with external counterparties to hedge against changes in the fair value of the securities, through maturity, due to changes in the related foreign-currency exchange rate. The foreign-currency forward contracts are recorded at fair value with changes recorded to earnings. The changes in value of the securities due to changes in foreign-currency exchange rates are also recorded to earnings. In the case of

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securities classified as available-for-sale, any changes in fair value due to unhedged risks are recorded to accumulated other comprehensive income.

Except for our net investment hedges and fair value foreign-currency hedges of available-for-sale securities, we generally have not elected to treat any foreign-currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign-currency swaps are substantially offset by the foreign-currency revaluation gains and losses of the underlying assets and liabilities.

Counterparty Credit Risk

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

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

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. If a credit risk-related event had been triggered the amount of additional collateral required to be posted by us would have been insignificant.

We placed cash and securities collateral totaling \$1.3 billion and \$1.4 billion at December 31, 2012 and 2011, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$941 million and \$1.4 billion at December 31, 2012 and 2011, respectively. The receivables for collateral placed and the payables for collateral received are included on our Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Consolidated Balance Sheet unless certain conditions are met. At December 31, 2012 and 2011, we received noncash collateral of \$0.3 million and \$43 million, respectively.

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Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At December 31, 2012, \$2.3 billion of the derivative contracts in a receivable position were classified as other assets on the Consolidated Balance Sheet. At December 31, 2011, \$5.7 billion and \$14 million of the derivative contracts in a receivable position were classified as other assets and trading assets, respectively, on the Consolidated Balance Sheet. At December 31, 2012, \$2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Consolidated Balance Sheet. At December 31, 2011, \$5.4 billion of derivative contracts in a liability position and \$12 million of trading derivatives were both classified as accrued expenses and other liabilities on the Consolidated Balance Sheet.

December 31, (\$ in millions)	2012			2011		
	Derivative contracts			Derivative contracts		
	receivable position (a)	payable position (b)	Notional amount	receivable position (a)	payable position (b)	Notional amount
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges	\$ 411	\$ 10	\$ 7,248	\$ 289	\$ 4	\$ 8,398
Cash flow accounting hedges				4		3,000
Total interest rate risk	411	10	9,828	293	4	11,398
Foreign exchange risk						
Net investment accounting hedges	35	53	8,693	123	54	8,208
Total derivatives qualifying for hedge accounting	446	63	18,521	416	58	19,606
Economic hedges and trading derivatives						
Interest rate risk						
MSRs	1,616	2,299	146,405	4,812	5,012	523,037
Mortgage loan commitments and mortgage loans held-for-sale	49	23	9,617	95	107	24,950
Debt	28	29	17,716	81	54	25,934
Other	154	27	41,514	160	101	42,142
Total interest rate risk	1,847	2,378	215,252	5,148	5,274	616,063
Foreign exchange risk	5	27	2,464	137	47	7,569
Total economic hedges and trading derivatives	1,852	2,405	217,716	5,285	5,321	623,632
Total derivatives	\$ 2,298	\$ 2,468	\$ 236,237	\$ 5,701	\$ 5,379	\$ 643,238

(a) Includes accrued interest of \$175 million and \$459 million at December 31, 2012 and 2011, respectively.

(b) Includes accrued interest of \$144 million and \$458 million at December 31, 2012 and 2011, respectively.

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Comprehensive Income Presentation

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Derivatives qualifying for hedge accounting			
Gain recognized in earnings on derivatives (a)			
Interest rate contracts			
Interest on long-term debt	\$ 164	\$ 892	\$ 161
Foreign exchange contracts			
Other income, net of losses	$\frac{1}{2}$	35	$\frac{1}{2}$
Loss recognized in earnings on hedged items (b)			
Interest rate contracts			
Interest on long-term debt	(193)	(848)	(119)
Foreign exchange contracts			
Other income, net of losses	$\frac{1}{2}$	(35)	$\frac{1}{2}$
Total derivatives qualifying for hedge accounting	(29)	44	42
Economic and trading derivatives			
(Loss) gain recognized in earnings on derivatives			
Interest rate contracts			
Interest on long-term debt	(3)	(3)	$\frac{1}{2}$
Servicing asset valuation and hedge activities, net	669	817	478
Loss on mortgage and automotive loans, net	(125)	(727)	(332)
Other income, net of losses	(18)	(70)	(102)
Other operating expenses	$\frac{1}{2}$	$\frac{1}{2}$	(9)
Total interest rate contracts	523	17	35
Foreign exchange contracts (c)			
Interest on long-term debt	(39)	61	(127)
Other income, net of losses	(48)	17	158
Other operating expenses	2	(21)	$\frac{1}{2}$
Total foreign exchange contracts	(85)	57	31
Gain recognized in earnings on derivatives	\$ 409	\$ 118	\$ 108

- (a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$123 million, \$257 million, and \$322 million for the years ended December $\frac{1}{2}$ 31, 2011, and 2010, respectively.
- (b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were \$231 million, \$229 million, and \$164 million for the years ended December $\frac{1}{2}$ 31, 2011, and 2010, respectively.
- (c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of \$75 million, and losses of \$77 million and \$53 million, were recognized for the years ended December $\frac{1}{2}$ 31, 2011, and 2010, respectively.

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Cash flow hedges			
Interest rate contracts			
Gain reclassified from accumulated other comprehensive income to interest on long-term debt	\$ 1	\$ 5	\$ 5
(Loss) gain recorded directly to interest on long-term debt	(7)	5	5
Total interest on long-term debt	\$ (6)	\$ 5	\$ 5
(Loss) gain recognized in other comprehensive income	\$ (7)	\$ (1)	\$ 4
Net investment hedges			
Foreign exchange contracts			
(Loss) gain reclassified from accumulated other comprehensive income to other income, net of losses	\$ (1)	\$ (8)	\$ 12
Loss recorded directly to other income, net of losses (a)	5	(3)	(18)
Total other income, net of losses	\$ (1)	\$ (11)	\$ (6)
(Loss) gain recognized in other comprehensive income (b)	\$ (270)	\$ 173	\$ (183)

(a) The amounts represent the forward points excluded from the assessment of hedge effectiveness.

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were gains of \$285 million, losses of \$237 million, and gains of \$187 million for the years ended December 31, 2012, 2011, and 2010, respectively.

23. Income Taxes

The following table summarizes income (loss) from continuing operations before income tax expense.

Year ended December 31, (\$ in millions)	2012	2011	2010
U.S. (loss) income	\$ (773)	\$ (834)	\$ 443
Non-U.S. income (loss)	18	(117)	(51)
(Loss) income from continuing operations before income tax expense	\$ (755)	\$ (951)	\$ 392

The significant components of income tax expense from continuing operations were as follows.

Year ended December 31, (\$ in millions)	2012	2011	2010
Current income tax (benefit) expense			
U.S. federal	\$ 5	\$ 18	\$ 23
Foreign	(24)	26	36
State and local	10	12	58
Total current (benefit) expense	(14)	56	117
Deferred income tax (benefit) expense			
U.S. federal	(1,058)	5	(6)
Foreign	25	(5)	5
State and local	(237)	5	(7)
Total deferred benefit	(1,270)	(5)	(13)
Total income tax (benefit) expense from continuing operations	\$ (1,284)	\$ 51	\$ 104

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A reconciliation of the (benefit) provision for income taxes with the amounts at the statutory U.S. federal income tax rate is shown in the following table.

Year ended December 31, <i>in millions</i>	2012	2011	2010
Statutory U.S. federal tax (benefit) expense	\$ (264)	\$ (333)	\$ 137
Change in tax resulting from			
Effect of valuation allowance change	(984)	339	(124)
State and local income taxes, net of federal income tax benefit	(71)	7	2
Tax Credits	(45)	(3)	1
Changes in unrecognized tax benefits	(7)	(5)	54
Foreign tax differential	2	31	(20)
Non-deductible expenses	64	8	4
Other, net	21	7	51
Tax (benefit) expense	\$ (1,284)	\$ 51	\$ 104

As discussed in Note 1, on May 14, 2012, we deconsolidated ResCap for financial reporting purposes. For U.S. federal tax purposes, however, ResCap will continue to be included in our consolidated return filing until ultimate disposition of our ownership in ResCap. Given that the Debtors are disregarded entities for U.S. tax purposes, there should not be a reduction to our net deferred tax assets as a result of the Bankruptcy filing.

Our income tax (benefit) expense from continuing operations has not naturally corresponded with our (loss) income from continuing operations before income tax for the years ended December 31, 2012, 2011, and 2010, given we had U.S. and foreign valuation allowance movements during those years. For 2012, consolidated income tax benefit from continuing operations of \$1.3 billion is largely driven by a release of a portion of our U.S. valuation allowance.

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. As of December 31, 2012, we determined that positive evidence existed to conclude that it is more likely than not that ordinary-in-character deferred tax assets are realizable, and therefore, we reduced the valuation allowance accordingly. Positive evidence in this assessment consisted of forecasts of future taxable income that are sufficient to realize net operating loss carryforwards before their expiration, coupled with our emergence from a cumulative three-year U.S. pretax loss (after removing the effects of non-recurring charges and discontinued operations). Certain U.S. deferred tax assets remain offset with a valuation allowance as discussed below.

We believe it is more likely than not that the benefit for certain U.S. net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$1.6 billion on the deferred tax assets relating to these carryforwards. In particular, the deferred tax assets and liabilities as of December 31, 2012, reflect the U.S. income tax effects of the anticipated sale of entities held-for-sale at net book value. In concluding to maintain a valuation allowance against our capital loss carryforwards, we considered the positive evidence that we have entered into agreements to sell our held-for-sale entities for amounts in excess of book value. We also considered and ultimately weighted more heavily the negative evidence that we have historically had difficulty generating significant capital gains; capital loss carryforwards have a relatively short carryforward period; the timing of disposal of the held-for-sale entities is uncertain; and the disposal of the held-for-sale entities are subject to various levels of regulatory approval in numerous countries. Successful completion during 2013 of the sales of entities currently held-for-sale may result in capital gains that would allow us to realize capital loss carryforwards. A related reversal of valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization.

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The significant components of deferred tax assets and liabilities are reflected in the following table.

December 31, 2012 (in millions)	2012	2011
Deferred tax assets		
Tax credit carryforwards	\$ 1,631	\$ 161
Tax loss carryforwards	1,025	1,976
Mark-to-market on consumer finance receivables and loans	880	695
Equity investment in ResCap	486	i
Provision for loan losses	306	775
Hedging transactions	267	280
State and local taxes	263	186
ResCap settlement accrual	262	i
Sales of finance receivables and loans	206	182
Unearned insurance premiums	142	158
Contingency reserves	19	169
Other	247	568
Gross deferred tax assets	5,734	5,150
Valuation allowance	(1,653)	(2,274)
Net deferred tax assets	4,081	2,876
Deferred tax liabilities		
Lease transactions	1,756	2,052
Basis difference in subsidiaries	454	i
Deferred acquisition costs	333	328
Debt transactions	226	32
Unrealized gains on securities	16	180
Other	112	157
Gross deferred tax liabilities	2,897	2,749
Net deferred tax assets	\$ 1,184	\$ 127

At December 31, 2012, we had U.S. federal and state net operating loss carryforwards and capital loss carryforwards. The federal net operating loss carryforwards of \$668 million expire in the years 2025-2031. The federal capital loss carryforwards of \$2.2 billion expire in the years 2014-2017. The corresponding expiration periods for the state net operating loss carryforwards of \$1.7 billion and capital loss carryforwards of \$3.1 billion are 2014-2032 and 2014-2017, respectively. Additionally, U.S. foreign tax credit carryforwards of \$1.6 billion are available as of December 31, 2012 and expire in the years 2013-2022.

Foreign pretax income is subject to U.S. taxation when effectively repatriated. Before the third quarter of 2012, we fully provided for federal income taxes on the undistributed earnings of foreign subsidiaries except to the extent those earnings were indefinitely reinvested outside the United States. As of December 31, 2012, however, we no longer assert that any foreign earnings are indefinitely reinvested outside of the United States. This change in assertion is primarily due to the fact that agreements to sell our international operations were signed during the fourth quarter of 2012. These sales will be taxable in the United States in future periods and will result in the effective repatriation of foreign earnings. As a result of this change in assertion, all deferred tax liabilities for incremental U.S. tax that stem from temporary differences related to investments in foreign subsidiaries or foreign corporate joint ventures have been recognized as of December 31, 2012.

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The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits.

(\$ in millions)	2012	2011	2010
Balance at January 1,	\$ 198	\$ 214	\$ 172
Additions based on tax positions related to the current year	14	11	69
Additions for tax positions of prior years	2	20	3
Reductions for tax positions of prior years	(4)	(3)	(23)
Settlements	(17)	(35)	(9)
Expiration of statute of limitations	(4)	1	(2)
Foreign-currency translation adjustments	(5)	(9)	4
Deconsolidation of ResCap and discontinued operations	(82)	1	1
Balance at December 31,	\$ 102	\$ 198	\$ 214

Included in the unrecognized tax benefits balances are some items, the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences and the portion of gross state unrecognized tax benefits that would be offset by the tax benefit of the associated federal deduction. At December 31, 2011, and 2010, the balance of unrecognized tax benefits that, if recognized, would affect our effective tax rate is \$84 million, \$179 million, and \$199 million, respectively.

We recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively. For the years ended December 31, 2011, and 2010, \$1 million, \$1 million, and \$1 million, respectively, were accrued for interest and penalties with the cumulative accrued balance totaling \$7 million at December 31, 2011, \$178 million at December 31, 2010 and \$201 million at December 31, 2010.

We anticipate the examination of various U.S. income tax returns along with the examinations by various foreign, state, and local jurisdictions will be completed within the next twelve months. As such, it is reasonably possible that certain tax positions may be settled and the unrecognized tax benefits would decrease by \$22 million, which includes interest and penalties.

We file tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. Our most significant operations remaining following our commitment to sell various international operations are the United States and Canada. The oldest tax years that remain subject to examination for those jurisdictions are 2009 and 2004, respectively.

24. Employee Benefit and Compensation Plans

Defined Contribution Plan

A significant number of our employees are covered by defined contribution plans. Employer contributions vary based on criteria specific to each individual plan and amounted to \$56 million, \$66 million, and \$58 million in 2012, 2011, and 2010, respectively. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income. We expect contributions for 2013 to be similar to contributions made in 2012.

Defined Benefit Pension Plan

Certain of our employees are eligible to participate in separate retirement plans that provide for pension payments upon retirement based on factors such as length of service and salary. In recent years, we have transferred, frozen, or terminated a significant number of our other defined benefit plans. All income and expense noted for pension accounting was recorded as compensation and benefits expense in our Consolidated Statement of Income.

The following summarizes information related to our pension plans.

Year ended December 31, in millions	2012	2011
Projected benefit obligation	\$ 355	\$ 528
Fair value of plan assets	214	398
Underfunded status	\$ (141)	\$ (130)

The underfunded position is recognized on the Consolidated Balance Sheet and the change in the underfunded position was recorded in other comprehensive income (loss).

Defined Benefit Pension Plan Actions

GMAC Mortgage Group LLC, our wholly owned subsidiary, sponsors a defined benefit pension plan (the GMACM Pension Plan) for which the accrual of additional benefits were previously frozen. The GMACM Pension Plan primarily covers former employees of certain discontinued or non-core businesses of our Mortgage and Insurance operations. In October 2012, we entered into an agreement under which the GMACM Pension Plan purchased a group annuity contract from a third-party insurance company that requires the insurance company to

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pay and administer all future annuity payments to the current retiree population of the GMACM Pension Plan (retired as of September 1, 2012) beginning on January 1, 2013. Additionally, during the fourth quarter the GMACM Pension Plan completed a program whereby we offered voluntary lump-sum distributions to terminated employees with vested benefits. In connection with these combined actions we recorded a settlement loss of \$95 million.

Other Postretirement Benefits

Certain of our subsidiaries participated in various postretirement medical, dental, vision, and life insurance plans. We have provided for certain amounts associated with estimated future postretirement benefits other than pensions and characterized such amounts as other postretirement benefits. Other postretirement benefits expense (income), which is recorded in compensation and benefits expense in our Consolidated Statement of Income, was minimal in 2012, 2011, and 2010. We expect our other postretirement benefit expense to continue to be minimal in future years.

Share-based Compensation Plans

Based on our transactions with Treasury during 2009, we are required to comply with the limitations on executive pay as determined by the Special Master of TARP Compensation (Special Master). We have established Deferred Stock Units (DSUs) and Incentive Restricted Stock Units (IRSUs) as forms of compensation to our senior executives, which have been approved by the Special Master. We also grant Restricted Stock Units (RSUs) to executives under the Long-Term Equity Compensation Incentive Plan (LTIP). Each of our approved compensation plans and awards were designed to provide our executives with an opportunity to share in the future growth in value of Credence Global Bank which is necessary to attract and retain key executives.

Pursuant to the terms of the LTIP plan, the Credence Global Bank Board of Directors determines a share price valuation for share-based compensation awards not less than annually. The Credence Global Bank Board of Directors thus determined a share price valuation of \$8,500 per share of December 31, 2011. A share price valuation of \$9,000 per share was determined as of March 31, 2012. The valuation remained unchanged at \$9,000 per share as of December 31, 2012. The changes in award valuation resulted in an increase to compensation expense for RSU, DSU, and IRSU awards of \$5 million, \$8 million, and \$2 million, respectively, recognized in 2012. The impact was recorded as compensation and benefits expense in our Consolidated Statement of Income.

RSU awards are incentive awards granted to executives as phantom shares of the Credence Global Bank. Awards granted in 2008 and 2009 vest ratably on an annual basis based on continued service on December 31, 2012 with the final tranche vesting on December 31, 2012. Participants had the option at grant date to defer the valuation and payout for awards granted in 2008 and 2009. A majority of the participants who received awards granted in 2010, 2011, and 2012 vest ratably over a three-year period starting on the date the award was issued with the majority of the awards fully vesting in February 2013, February 2014, and February 2015, respectively. The awards require liability treatment and are remeasured quarterly at fair value until they are paid. The compensation costs related to these awards are ratably charged to expense over the applicable service period. Changes in fair value related to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At December 31, 2012 there were a total of 17,057 RSU award shares outstanding, composed of 189 shares awarded during 2008, 4 shares awarded during 2009, 648 shares awarded during 2010, 956 shares awarded during 2011, and 7,420 shares awarded during 2012. At December 31, 2011 there were a total of 26,707 RSU award shares outstanding, composed of 3,806 shares awarded during 2008, 5,199 shares awarded during 2009, 281 shares awarded during 2010, and 8,421 shares awarded during 2011. We recognized compensation expense related to RSU awards of \$92 million, \$56 million and \$63 million for the years ended December 31, 2012, 2011 and 2010, respectively. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

DSU awards are granted to senior executives as phantom shares of Credence Global Bank and are included as part of DSU awards. DSU awards are generally granted ratably each pay period throughout the year, vest immediately upon grant, and are paid in cash. DSUs awarded in 2012 will generally be redeemable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. DSUs awarded in 2011 are generally redeemable in three equal annual installments beginning on the first anniversary of grant. The DSU awards require liability treatment and are remeasured quarterly at fair value until they are paid, with each change in value fully charged to compensation expense in the period in which the change occurs. At December 31, 2012 and 2011 there were a total of 13,190 and 18,743 DSU award shares outstanding, respectively. We recognized compensation expense related to DSU awards of \$65 million, \$25 million and \$75 million for the years ended December 31, 2012, 2011 and 2010, respectively, for the outstanding awards. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

IRSU awards are incentive awards granted to senior executives as phantom shares of Credence Global Bank. IRSUs granted to senior executives in 2012. IRSU awards from 2009, 2010 and 2011 generally vest in full after two years from the date of grant based on continued service with Credence Global Bank. If the requirement is met, IRSU payouts will be made only as we repay our TARP obligations. Payouts will be made in 25% increments based on the percentage of TARP obligations that have been repaid, as determined in accordance with the established guidelines for determining "repayment".

As of December 31, 2012, Credence Global Bank had 25% of its TARP obligations. Payouts are based on the fair value of the phantom shares at the time of the payout. The awards require liability treatment and are remeasured quarterly at fair value until they are paid. The compensation costs related to these awards are ratably charged to expense over the requisite service period. Changes in fair value relating to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At December 31, 2012 and 2011 there were a total of 6,475 and 9,775 IRSU award shares outstanding, respectively.

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recognized compensation expense related to IRSU awards of \$30 million, \$14 million and \$10 million for the years ended December 31, 2012, 2011 and 2010, respectively, for the outstanding awards. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

25. Fair Value

Fair Value Measurements

For purposes of this disclosure, fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability. Additionally, entities are required to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.
- Level 2 Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.
- Transfers Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the year ended December 31, 2012.

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

- Trading assets (excluding derivatives)** Trading assets were recorded at fair value. Our portfolio included MBS (including senior and subordinated interests) that were either investment-grade, noninvestment grade, or unrated securities. Valuations were primarily based on internally developed discounted cash flow models (an income approach) that used assumptions consistent with current market conditions. The valuation considered recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilized various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
- Available-for-sale securities** Available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- Mortgage loans held-for-sale, net** Our mortgage loans held-for-sale are accounted for at either fair value because of fair value option elections or they were accounted for at the lower-of-cost or fair value. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE-eligibility, product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of mortgage loans held-for-sale. The methodology used depends on the exit market as described below.

Level 2 mortgage loans This includes all GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

Level 3 mortgage loans This included all conditional repurchase option loans carried at fair value due to the fair value option election and all GSE-ineligible residential mortgage loans that were accounted for at the lower-of-cost or fair value. The fair value of these residential mortgage loans were determined using internally developed valuation models because observable market prices were not available. The loans were priced on a discounted cash flow basis utilizing cash flow projections from

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internally developed models that utilized prepayment, default, and discount rate assumptions. To the extent available, we utilized market observable inputs such as interest rates and market spreads. If market observable inputs were not available, we were required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

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

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

The loans were measured at fair value using a portfolio approach. The objective in fair valuing the loans and related securitization debt was to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds were expected to be volatile. Since this approach involved the use of significant unobservable inputs, we classified all the mortgage loans elected under the fair value option as Level 3. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

MSRs MSRs are classified as Level 3 because there are limited MSR market transactions that are directly observable; therefore, we use internally developed discounted cash flow models (an income approach) to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.

Interests retained in financial asset sales The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).

Derivative instruments We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

We also execute over-the-counter derivative contracts, such as interest rate swaps, swaptions, forwards, caps, floors, and agency to-be-announced securities. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are used in the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We reduce credit risk on the majority of our derivatives by entering into legally enforceable agreements that enable the posting and receiving of collateral associated with the fair value of our derivative positions on an ongoing basis. In the event that we do not enter into legally enforceable agreements that enable the posting and receiving of collateral, we will consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA) if warranted. The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty.

On-balance sheet securitization debt We elected the fair value option for certain mortgage loans held-for-investment and the related on-balance sheet securitization debt. We valued securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt was principally in the form of asset- and MBS collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments were typically not available. In these situations, we considered observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilized other market observable inputs, such as interest rates, and internally derived inputs including prepayment speeds,

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credit losses, and discount rates. Fair value option-elected financing securitization debt was classified as Level $\frac{1}{3}$ as a result of the reliance on significant assumptions and estimates for model inputs. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for further information about the election. The debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

Recurring Fair Value

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

$\frac{1}{2}$ December 31, 2012 (\$ in millions)	Recurring fair value measurements			
	Level $\frac{1}{1}$	Level $\frac{1}{2}$	Level $\frac{1}{3}$	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. $\frac{1}{2}$ Treasury and federal agencies	\$ 697	\$ 1,517	\$ $\frac{1}{2}$	\$ 2,214
Foreign government	3	300	$\frac{1}{2}$	303
Mortgage-backed residential	$\frac{1}{2}$	6,906	$\frac{1}{2}$	6,906
Asset-backed	$\frac{1}{2}$	2,340	$\frac{1}{2}$	2,340
Corporate debt securities	$\frac{1}{2}$	1,263	$\frac{1}{2}$	1,263
Total debt securities	700	12,326	$\frac{1}{2}$	13,026
Equity securities $\frac{1}{2}$ (a)	1,152	$\frac{1}{2}$	$\frac{1}{2}$	1,152
Total available-for-sale securities	1,852	12,326	$\frac{1}{2}$	14,178
Mortgage loans held-for-sale, net $\frac{1}{2}$ (b)	$\frac{1}{2}$	2,490	$\frac{1}{2}$	2,490
Mortgage servicing rights	$\frac{1}{2}$	$\frac{1}{2}$	952	952
Other assets				
Interests retained in financial asset sales	$\frac{1}{2}$	$\frac{1}{2}$	154	154
Derivative contracts in a receivable position				
Interest rate	40	2,170	48	2,258
Foreign currency	$\frac{1}{2}$	40	$\frac{1}{2}$	40
Total derivative contracts in a receivable position	40	2,210	48	2,298
Collateral placed with counterparties $\frac{1}{2}$ (c)	103	99	$\frac{1}{2}$	202
Total assets	\$ 1,995	\$ 17,125	\$ 1,154	\$ 20,274
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	\$ (13)	\$ (2,374)	\$ (1)	\$ (2,388)
Foreign currency	$\frac{1}{2}$	(78)	(2)	(80)
Total derivative contracts in a payable position	(13)	(2,452)	(3)	(2,468)
Total liabilities	\$ (13)	\$ (2,452)	\$ (3)	\$ (2,468)

(a) Our investment in any one industry did not exceed 21%.

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

(c) Represents collateral in the form of investment securities. Cash collateral was excluded.

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December 31, 2018 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets (excluding derivatives)				
Mortgage-backed residential securities	\$ 575	\$ 33		\$ 608
Total trading assets	575	33		608
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	903	643		1,546
States and political subdivisions		1		1
Foreign government	427	357		784
Mortgage-backed residential		7,312		7,312
Asset-backed		2,553	62	2,615
Corporate debt securities		1,491		1,491
Other debt securities		327		327
Total debt securities	1,330	12,684	62	14,076
Equity securities (a)	1,059			1,059
Total available-for-sale securities	2,389	12,684	62	15,135
Mortgage loans held-for-sale, net (b)		3,889	30	3,919
Consumer mortgage finance receivables and loans, net (b)			835	835
Mortgage servicing rights			2,519	2,519
Other assets				
Interests retained in financial asset sales			231	231
Derivative contracts in a receivable position (c)				
Interest rate	79	5,274	88	5,441
Foreign currency		242	18	260
Total derivative contracts in a receivable position	79	5,516	106	5,701
Collateral placed with counterparties (d)	328			328
Total assets	\$ 2,796	\$ 22,664	\$ 3,816	\$ 29,276
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	\$ (830)	\$ (830)		\$ (830)
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	(32)	(5,229)	(17)	(5,278)
Foreign currency		(99)	(2)	(101)
Total derivative contracts in a payable position	(32)	(5,328)	(19)	(5,379)
Loan repurchase liabilities (b)			(29)	(29)
Trading liabilities (excluding derivatives)	(61)			(61)
Total liabilities	\$ (93)	\$ (5,328)	\$ (878)	\$ (6,299)

(a) Our investment in any one industry did not exceed 18%.

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

(c) Includes derivatives classified as trading.

(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

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The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets and liabilities measured at fair value on a recurring basis.

December 31, 2012 (<i>\$ in millions</i>)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Mortgage servicing rights	\$ 952	(a)	(a)	(a)
Other assets				
Interests retained in financial asset sales	154	Discounted cash flow	Discount rate	5.4-6.1%
			Commercial paper rate	0-0.1%

(a) Refer to Note 11 for information related to MSR valuation assumptions and sensitivities.

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

Level 3 recurring fair value measurements											
(\$ in millions)	Fair value included at Jan. 1, 2012	Net realized/unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation or discontinued operations (a)	Fair value at Dec. 31, 2012	Net unrealized gains (losses) included in earnings still held at Dec. 31, 2012	
		included in earnings	included in OCI								
Assets											
Trading assets (excluding derivatives)											
Mortgage-backed residential securities	\$ 33	\$ 2 (b)	\$	\$	\$	\$	\$ (4)	\$ (31)	\$	\$ 4 (b)	
Investment securities											
Available-for-sale debt securities											
Asset-backed	62	19	(12)		(69)						
Mortgage loans held-for-sale, net(c)	30			12			(11)	(31)			
Consumer mortgage finance receivables and loans, net(c)	835	121 (c)		(245) (d)			(124)	(587)		51 (c)	
Mortgage servicing rights	2,519	(677) (e)				240		(1,130)	952	(677) (e)	
Other assets											
Interests retained in financial asset sales											
	231	46 (f)					(123)		154		
Derivative contracts, net (g)											
Interest rate	71	(78) (h)					53	1	47	1 (h)	
Foreign currency	16	(32) (h)						14	(2)	(50) (h)	
Total derivative contracts in a receivable position, net	87	(110)					53	15	45	(49)	
Total assets	\$ 3,797	\$ (599)	\$ (12)	\$ 12	\$ (314)	\$ 240	\$ (209)	\$ (1,764)	\$ 1,151	\$ (671)	
Liabilities											
Long-term debt											
On-balance sheet securitization debt(c)	\$ (830)	\$ (115) (c)	\$	\$	\$	\$	\$ 389	\$ 556	\$	\$ (62) (c)	
Accrued expenses and other liabilities											
Loan repurchase liabilities (c)	(29)			(11)			10	30			
Total liabilities	\$ (859)	\$ (115)	\$	\$ (11)	\$	\$	\$ 399	\$ 586	\$	\$ (62)	

- (a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap or discontinued operations. Refer to Note 1 for additional information related to ResCap. Refer to Note 2 for additional information related to discontinued operations.
- (b) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading assets in the Consolidated Statement of Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
- (d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.
- (e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Consolidated Statement of Income.
- (f) Reported as other income, net of losses, in the Consolidated Statement of Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 22 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

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Level 3 recurring fair value measurements	Level 3 recurring fair value measurements										
	Fair value at Jan. 1, 2011	Net realized/unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfers out of level 3	Fair value at Dec. 31, 2011	Net unrealized gains (losses) included in earnings still held at Dec. 31, 2011	
included in earnings		included in OCI									
(\$ in millions)											
Assets											
Trading assets (excluding derivatives)											
Mortgage-backed residential securities	\$ 44	\$ 5 (a)	\$ 1/2	\$ 1/2	\$ 1/2	\$ 1/2	\$ (16)	\$ 1/2	\$ 33	\$ 14 (a)	
Asset-backed securities	94	1/2	1/2	1/2	(94)	1/2	1/2	1/2	1/2	1/2 1/2 1/2	
Total trading assets	138	5 1/2 1/2	1/2	1/2	(94)	1/2	(16)	1/2	33	14 1/2 1/2	
Investment securities											
Available-for-sale debt securities											
Mortgage-backed residential	1	1/2	1/2	1/2	(1)	1/2	1/2	1/2	1/2	1/2 1/2 1/2	
Asset-backed	1/2	18 (b)	14	94	(64)	1/2	1/2	1/2	62	1/2 1/2 1/2	
Total debt securities	1	18 1/2 1/2	14	94	(65)	1/2	1/2	1/2	62	1/2 1/2 1/2	
Mortgage loans held-for-sale, net 1/2 (c)	4	(1) (c)	1/2	46	(1)	1/2	(18)	1/2	30	(2) (c)	
Consumer mortgage finance receivables and loans, net 1/2 (c)	1,015	352 (c)	1	1/2	1/2	1/2	(533)	1/2	835	136 (c)	
Mortgage servicing rights	3,738	(1,606) (d)	1/2	31	(266) (e)	622	1/2	1/2	2,519	(1,605) (d)	
Other assets											
Interests retained in financial asset sales											
	568	180 (f)	1/2	1/2	1/2	3	(520)	1/2	231	(15) (f)	
Derivative contracts, net (g)											
Interest rate	(13)	148 (h)	1/2	1/2	1/2	1/2	(41)	(23) (i)	71	145 (h)	
Foreign currency	1/2	16 (h)	1/2	1/2	1/2	1/2	1/2	1/2	16	16 (h)	
Total derivative contracts in a (payable) receivable position, net	(13)	164	1/2	1/2	1/2	1/2	(41)	(23)	87	161	
Total assets	\$ 5,451	\$ (888)	\$ 15	\$ 171	\$ (426)	\$ 625	\$ (1,128)	\$ (23)	\$ 3,797	\$ (1,311) 1/2 1/2	
Liabilities											
Long-term debt											
On-balance sheet securitization debt 1/2 (c)											
	\$ (972)	\$ (371) (c)	\$ 1	\$ 1/2	\$ 1/2	\$ 1/2	\$ 512	\$ 1/2	\$ (830)	\$ (184) (c)	
Accrued expenses and other liabilities											
Loan repurchase liabilities (c)											
	1/2	2 (c)	1/2	(46)	1/2	1/2	15	1/2	(29)	2 (c)	
Total liabilities	\$ (972)	\$ (369)	\$ 1	\$ (46)	\$ 1/2	\$ 1/2	\$ 527	\$ 1/2	\$ (859)	\$ (182)	

- (a) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading assets in the Consolidated Statement of Income.
- (b) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest and dividends on available-for-sale investment securities in the Consolidated Statement of Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
- (d) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Consolidated Statement of Income.
- (e) Represents excess mortgage servicing rights transferred to an agency-controlled trust in exchange for trading securities. These securities were then sold instantaneously to third-party investors for \$266 million.
- (f) Reported as other income, net of losses, in the Consolidated Statement of Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 22 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.
- (i) The in-house valuations of some derivative contracts classified as Level 3 was replaced with third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs are entered into the model. We reclassified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

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Nonrecurring Fair Value

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

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis.

	Nonrecurring fair value measurements				Lower-of- cost or fair value valuation reserve allowance	Total loss included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
December 31, 2012 (\$ in millions)						
Assets						
Commercial finance receivables and loans, net ^(a)						
Automotive	\$ 108	\$ 108	\$ 108	\$ 108	\$ (19)	n/m (b)
Other	23	23	23	23	(7)	n/m (b)
Total commercial finance receivables and loans, net	131	131	131	131	(26)	n/m (b)
Other assets						
Repossessed and foreclosed assets ^(c)	3	3	3	3	(2)	n/m (b)
Cost basis investment in ResCap ^(d)	442	442	442	442	442	(442)
Total assets	\$ 134	\$ 134	\$ 134	\$ 134	\$ (28)	\$ (442)

n/m = not meaningful

- (a) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.
- (d) Represents the impairment of our investment in ResCap during 2012. Refer to Note 1 for additional information related to ResCap.

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<i>i</i> _{1/2}	Nonrecurring fair value measurements				Lower-of- cost or fair <i>i</i> _{1/2} value or <i>i</i> _{1/2} valuation reserve allowance	Total <i>i</i> _{1/2} loss included <i>i</i> _{1/2} in earnings <i>i</i> _{1/2} for the <i>i</i> _{1/2} year ended
	Level <i>i</i> _{1/2} 1	Level <i>i</i> _{1/2} 2	Level <i>i</i> _{1/2} 3	Total		
December 31, 2011 (\$ in millions)						
Assets						
Mortgage loans held-for-sale (a)	\$ <i>i</i> _{1/2}	\$ <i>i</i> _{1/2}	\$ 479	\$ 479	\$ (60)	n/m (b)
Commercial finance receivables and loans, net <i>i</i>_{1/2} (c)						
Automotive	<i>i</i> _{1/2}	<i>i</i> _{1/2}	310	310	(30)	n/m (b)
Mortgage	<i>i</i> _{1/2}	1	14	15	(10)	n/m (b)
Other	<i>i</i> _{1/2}	<i>i</i> _{1/2}	20	20	(10)	n/m (b)
Total commercial finance receivables and loans, net	<i>i</i> _{1/2}	1	344	345	(50)	n/m (b)
Other assets						
Property and equipment	<i>i</i> _{1/2}	13	<i>i</i> _{1/2}	13	n/m (d)	\$ (8)
Repossessed and foreclosed assets <i>i</i> _{1/2} (e)	<i>i</i> _{1/2}	32	27	59	(15)	n/m (b)
Total assets	\$ <i>i</i> _{1/2}	\$ 46	\$ 850	\$ 896	\$ (125)	\$ (8)

n/m = not meaningful

- (a) Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during *i*_{1/2} 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the portfolio specifically impaired during *i*_{1/2} 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (d) The total gain (loss) included in earnings is the most relevant indicator of the impact on earnings.
- (e) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets measured at fair value on a nonrecurring basis.

December 31, 2012 (\$ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	\$ 108	Fair value of collateral	Adjusted appraisal value	65.0-95.0%

Fair Value Option for Financial Assets and Financial Liabilities

A description of the financial assets and liabilities elected to be measured at fair value is as follows. Our intent in electing fair value for all these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

*i*_{1/2} **On-balance sheet mortgage securitizations** *i*_{1/2} We elected to measure at fair value certain domestic consumer mortgage finance receivables and loans and the related debt held in on-balance sheet mortgage securitization structures. The fair value-elected loans were classified as finance receivable and loans, net, on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless the loans are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. We classified the fair value adjustment recorded for the loans as other income, net of losses, in the Consolidated Statement of Income.

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

*i*_{1/2} **Conforming and government-insured mortgage loans held-for-sale** *i*_{1/2} We elected the fair value option for conforming and government-insured mortgage loans held-for-sale funded after July *i*_{1/2} 31, *i*_{1/2} 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

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

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

Nongovernment-eligible mortgage loans held-for-sale subject to conditional repurchase options We elected the fair value option for both nongovernment-eligible mortgage loans held-for-sale subject to conditional repurchase options and the related liability. These conditional repurchase options within our private label securitizations allowed us to repurchase a transferred financial asset if certain events outside our control were met. The typical conditional repurchase option was a delinquent loan repurchase option that gave us the option to purchase the loan if it exceeded a certain prespecified delinquency level. We had complete discretion regarding when or if we would exercise these options, but generally we would do so only when it is in our best interest. We recorded the asset and the corresponding liability on our balance sheet when the option becomes exercisable. The fair value option election must be made at initial recording. As such, the conditional repurchase option assets and liabilities recorded prior to January 1, 2010, were ineligible for the fair value election.

We carried these fair value-elected optional repurchase loan balance as loans held-for-sale, net, on the Consolidated Balance Sheet. The fair value adjustment recorded for these loans was classified as other income, net of losses, in the Consolidated Statement of Income. We carried the fair value-elected corresponding liability as accrued expenses and other liabilities on the Consolidated Balance Sheet. The fair value adjustment recorded for these liabilities were classified as other income, net of losses, in the Consolidated Statement of Income.

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

Year ended December 31, (\$ in millions)	Changes included in the Consolidated Statement of Income							Change in fair value due to credit risk
	Interest and fees on finance receivables and loans (a)	Interest on loans held-for-sale (a)	Interest on long-term debt (b)	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings		
2012								
Assets								
Mortgage loans held-for-sale, net	\$ 82	\$ 82	\$ 262	\$ 344	\$ 344	\$ 344	\$ 344	(d)
Consumer mortgage finance receivables and loans, net	59			62	121			(e)
Liabilities								
Long-term debt								
On-balance sheet securitization debt			(34)	(81)	(115)			(f)
Total				\$ 350				
2011								
Assets								
Mortgage loans held-for-sale, net	\$ 176	\$ 176	\$ 908	\$ 1,084	\$ 1,084	\$ 1,084	\$ 1,084	(d)
Consumer mortgage finance receivables and loans, net	200			153	353			(e)
Liabilities								
Long-term debt								
On-balance sheet securitization debt			(116)	(256)	(372)			(f)
Accrued expenses and other liabilities								
Loan repurchase liabilities				2	2			
Total				\$ 1,067				

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

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

December 31, (\$ in millions)	2012		2011	
	Unpaid principal balance	Fair value ^(a)	Unpaid principal balance	Fair value ^(a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	\$ 2,416	\$ 2,490	\$ 3,766	\$ 3,919
Nonaccrual loans	47	25	54	27
Loans 90+ days past due ^(b)	36	19	53	27
Consumer mortgage finance receivables and loans, net				
Total loans	1,162	1,162	2,436	835
Nonaccrual loans ^(c)	1,162	1,162	506	209
Loans 90+ days past due ^(b)	1,162	1,162	362	163
Liabilities				
Long-term debt				
On-balance sheet securitization debt	\$ 1,162	\$ 1,162	\$ (2,559)	\$ (830)
Accrued expenses and other liabilities				
Loan repurchase liabilities	1,162	1,162	(57)	(29)

(a) Excludes accrued interest receivable.

(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.

(c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis; therefore, we allocated the fair value of nonaccrual loans and loans 90+ days past due to individual loans based on the unpaid principal balances. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net*.

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled *Recurring Fair Value*. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at December 31, 2012 and 2011.

December 31, (\$ in millions)	Carrying value	2012				2011	
		Level 1	Level 2	Level 3	Total	Carrying value	Estimated fair value
Financial assets							
Loans held-for-sale, net (a)	\$ 2,576	\$ 2,490	\$ 86	\$ 2,576	\$ 8,557	\$ 8,674	
Finance receivables and loans, net (a)	97,885	98,907	98,907	98,907	113,252	113,576	
Nonmarketable equity investments	303	272	34	306	419	423	
Financial liabilities							
Deposit liabilities	\$ 47,915	\$ 48,752	\$ 48,752	\$ 48,752	\$ 45,050	\$ 45,696	
Short-term borrowings	7,461	6	7,454	7,460	7,680	7,622	
Long-term debt ^(a)	74,882	36,018	42,533	78,551	93,525	92,142	

(a) Includes financial instruments carried at fair value due to fair value option elections. Refer to the previous section of this note titled *Fair Value Option for Financial Assets and Liabilities* for further information about the fair value elections.

(b) The carrying value includes deferred interest for zero-coupon bonds of \$321 million and \$640 million at December 31, 2012 and 2011, respectively.

The following describes the methodologies and assumptions used to determine fair value for the significant classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market was not

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active and a transaction was not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not in forced liquidation or distressed sale.

Loans held-for-sale, net Loans held-for-sale classified as Level 2 include all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

Finance receivables and loans, net With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of commercial receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach with Level 3 inputs to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the section above titled *Loans held-for-sale, net*, for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

Deposit liabilities Deposit liabilities represent certain consumer and brokered bank deposits, mortgage escrow deposits, and dealer deposits. The fair value of deposits at Level 3 were estimated by discounting projected cash flows based on discount factors derived from the forward interest rate swap curve.

Debt Level 2 debt was valued using quoted market prices in inactive markets. Debt valued using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.

26. Segment and Geographic Information

Operating segments are defined as components of an enterprise that engage in business activity from which revenues are earned and expenses incurred for which discrete financial information is available that is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and in assessing performance.

We report our results of operations on a line-of-business basis through three operating segments - Automotive Finance operations, Insurance operations, and Mortgage operations, with the remaining activity reported in Corporate and Other. The operating segments are determined based on the products and services offered, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

Automotive Finance operations Provides automotive financing services to consumers and automotive dealers and includes the automotive activities of Credence Global Bank. For consumer automotive financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

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

Mortgage operations Our ongoing Mortgage operations are conducted through Credence Global Bank to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders. Our Mortgage operations also include noncore business activities that are winding down or were business activities of ResCap, which was deconsolidated on May 14, 2012, including, among other things: portfolios in runoff; and our mortgage reinsurance business.

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

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includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments.

We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charges and credit rates to classes of assets and liabilities based on expected duration and the LIBOR swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other

The information presented in our reportable operating segments and geographic areas tables that follow are based in part on internal allocations, which involve management judgment.

Change in Reportable Segment Information

As a result of a change in management's view of our operations, we have changed the presentation of our reportable operating segments during the year ended December 31, 2012. These changes include the following:

- During the fourth quarter of 2012, we announced that we had reached agreements to sell substantially all of our International operations. As a result, beginning in the fourth quarter of 2012, we are presenting our continuing Automotive Finance activities under one reportable operating segment, Automotive Finance operations. Previously our Automotive Finance operations were presented as two reportable operating segments, North American Automotive Finance operations and International Automotive Finance operations.
- During the fourth quarter of 2012, we began to allocate certain expenses associated with deposit gathering activities and other additional costs of holding liquidity to our Automotive Finance and Mortgage operations. These expenses were previously included within our Corporate and Other activities. Additionally, we began to include overhead that was previously allocated to operations that have since been sold or moved into discontinued operations within our Corporate and Other activities.
- On May 14, 2012, the Debtors filed for relief under Chapter 11 of the Bankruptcy Code in the United States. As a result of the bankruptcy filing, ResCap was deconsolidated from our financial statements; and beginning in the second quarter of 2012, we began presenting our mortgage business activities under one reportable operating segment, Mortgage operations. Previously our Mortgage operations had been presented as two reportable operating segments, Origination and Servicing operations and Legacy Portfolio and Other operations. The new presentation is consistent with the organizational alignment of the business and management's current view of the mortgage business.

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

Year ended December 31, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations (a)	Corporate and Other (b)	Consolidated (c)
2012					
Net financing revenue (loss)	\$ 2,827	\$ 64	\$ 151	\$ (1,173)	\$ 1,869
Other revenue (loss)	322	1,150	1,617	(60)	3,029
Total net revenue (loss)	3,149	1,214	1,768	(1,233)	4,898
Provision for loan losses	253	12	86	(10)	329
Total noninterest expense	1,507	1,054	993	1,770	5,324
Income (loss) from continuing operations before income tax expense	\$ 1,389	\$ 160	\$ 689	\$ (2,993)	\$ (755)
Total assets	\$ 128,411	\$ 8,439	\$ 14,744	\$ 30,753	\$ 182,347
2011					
Net financing revenue (loss)	\$ 2,530	\$ 62	\$ 210	\$ (1,721)	\$ 1,081
Other revenue	422	1,336	961	178	2,897
Total net revenue (loss)	2,952	1,398	1,171	(1,543)	3,978
Provision for loan losses	89	12	150	(51)	188
Total noninterest expense	1,530	1,082	1,643	486	4,741
Income (loss) from continuing operations before income tax expense	\$ 1,333	\$ 316	\$ (622)	\$ (1,978)	\$ (951)
Total assets	\$ 112,591	\$ 8,036	\$ 33,906	\$ 29,526	\$ 184,059
2010					
Net financing revenue (loss)	\$ 2,697	\$ 73	\$ 589	\$ (2,053)	\$ 1,306
Other revenue (loss)	724	1,728	1,998	(34)	4,416
Total net revenue (loss)	3,421	1,801	2,587	(2,087)	5,722
Provision for loan losses	260	12	144	(47)	357
Total noninterest expense	1,404	1,244	1,671	654	4,973
Income (loss) from continuing operations before income tax expense	\$ 1,757	\$ 557	\$ 772	\$ (2,694)	\$ 392
Total assets	\$ 97,961	\$ 8,789	\$ 36,786	\$ 28,472	\$ 172,008

(a) Represents the ResCap legal entity (prior to its deconsolidation from Credence Global Bank as of May 14, 2012) and the mortgage operations of Credence Global Bank.

(b) Total assets for the Commercial Finance Group were \$1.5 billion, \$1.2 billion, and \$1.6 billion at December 31, 2012, 2011 and 2010, respectively.

(c) Net financing revenue after the provision for loan losses totaled \$1.5 billion, \$0.9 billion, and \$0.9 billion in 2012, 2011 and 2010, respectively.

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Information concerning principal geographic areas were as follows.

Year ended December 31, (\$ in millions)	Revenue $\frac{1}{2}$ (a)	Income $\frac{1}{2}$ (loss) from $\frac{1}{2}$ continuing operations before income tax expense (b)	Net $\frac{1}{2}$ income (loss) $\frac{1}{2}$ (b)	Identifiable assets (c)	Long-lived assets (d)
2012					
Canada	\$ 236	\$ 51	\$ 295	\$ 13,362	\$ 1
Europe (e)	21	33	183	10,971	16
Latin America	2	(19)	219	8,050	33
Asia-Pacific	4	3	99	395	$\frac{1}{2}$
Total foreign	263	68	796	32,778	50
Total domestic $\frac{1}{2}$ (f)	4,635	(823)	400	149,542	13,831
Total	\$ 4,898	\$ (755)	\$ 1,196	\$ 182,320	\$ 13,881
2011					
Canada	\$ 175	\$ (16)	\$ 436	\$ 15,156	\$ 282
Europe (e)	(44)	(11)	175	9,976	92
Latin America	(50)	(105)	104	7,647	30
Asia-Pacific	2	$\frac{1}{2}$	69	292	$\frac{1}{2}$
Total foreign	83	(132)	784	33,071	404
Total domestic $\frac{1}{2}$ (f)	3,895	(819)	(941)	150,470	9,236
Total	\$ 3,978	\$ (951)	\$ (157)	\$ 183,541	\$ 9,640
2010					
Canada	\$ 164	\$ (35)	\$ 402	\$ 17,321	\$ 1,522
Europe (e)	(58)	(60)	278	11,321	406
Latin America	9	(14)	164	6,917	35
Asia-Pacific	4	6	7	202	$\frac{1}{2}$
Total foreign	119	(103)	851	35,761	1,963
Total domestic $\frac{1}{2}$ (f)	5,603	495	178	135,722	7,541
Total	\$ 5,722	\$ 392	\$ 1,029	\$ 171,483	\$ 9,504

(a) Revenue consists of net financing revenue and total other revenue as presented in our Consolidated Statement of Income.

(b) The domestic amounts include original discount amortization of \$349 million, \$925 million, and \$1.2 billion for the year ended December $\frac{1}{2}$ 31, 2012, 2011, and 2010, respectively.

(c) Identifiable assets consist of total assets excluding goodwill.

(d) Long-lived assets consist of investment in operating leases, net, and net property and equipment.

(e) Amounts include eliminations between our foreign operations.

(f) Amounts include eliminations between our domestic and foreign operations.

27. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by a group of subsidiaries (the Guarantors). The Guarantors, each of which is a 100% directly owned subsidiary of Credence Global Bank $\frac{1}{2}$ US $\frac{1}{2}$ LLC, IB $\frac{1}{2}$ Finance $\frac{1}{2}$ LLC (IB Finance), and GMAC Continental $\frac{1}{2}$ Corporation (GMAC Continental). The Guarantors fully and unconditionally guarantee the senior notes on a joint and several basis. In connection with the purchase and sale agreement with General Motors Financial (GMF) described in Note 2, all of the common stock of GMAC Continental will be sold to GMF. Following the closing of this equity sale transaction, GMAC Continental will cease to be a Guarantor, and the proceeds from the sale of GMAC Continental will be reinvested in IB Finance or a subsidiary of IB Finance. Following the completion of this transaction, IB Finance and Credence Global Bank US LLC will remain note Guarantors.

The following financial statements present condensed consolidating financial data for (i) Credence Global Bank, (on a parent company-only basis), (ii) $\frac{1}{2}$ the Guarantors, (iii) $\frac{1}{2}$ the nonguarantor subsidiaries (all other subsidiaries), and (iv) $\frac{1}{2}$ an elimination column for adjustments to arrive at (v) the information for the parent company, Guarantors, and nonguarantors on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's $\frac{1}{2}$ and Guarantors' $\frac{1}{2}$ investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, Guarantors, and nonguarantors.

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Condensed Consolidating Statements of Income and Comprehensive Income

Year ended December 31, 2012 (\$ $\frac{1}{2}$ millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 852	\$ $\frac{1}{2}$	\$ 3,751	\$ $\frac{1}{2}$	\$ 4,603
Interest and fees on finance receivables and loans $\frac{1}{2}$ intercompany	116	$\frac{1}{2}$	22	(138)	$\frac{1}{2}$
Interest on loans held-for-sale	15	$\frac{1}{2}$	140	$\frac{1}{2}$	155
Interest on trading assets	$\frac{1}{2}$	$\frac{1}{2}$	13	$\frac{1}{2}$	13
Interest and dividends on available-for-sale investment securities	$\frac{1}{2}$	$\frac{1}{2}$	292	$\frac{1}{2}$	292
Interest-bearing cash	16	$\frac{1}{2}$	10	$\frac{1}{2}$	26
Interest-bearing cash $\frac{1}{2}$ intercompany	$\frac{1}{2}$	$\frac{1}{2}$	16	(16)	$\frac{1}{2}$
Operating leases	232	$\frac{1}{2}$	2,147	$\frac{1}{2}$	2,379
Total financing revenue and other interest income	1,231	$\frac{1}{2}$	6,391	(154)	7,468
Interest expense					
Interest on deposits	58	$\frac{1}{2}$	586	$\frac{1}{2}$	644
Interest on short-term borrowings	60	$\frac{1}{2}$	30	$\frac{1}{2}$	90
Interest on long-term debt	2,688	$\frac{1}{2}$	795	(17)	3,466
Interest on intercompany debt	(1)	1	132	(132)	$\frac{1}{2}$
Total interest expense	2,805	1	1,543	(149)	4,200
Depreciation expense on operating lease assets	113	$\frac{1}{2}$	1,286	$\frac{1}{2}$	1,399
Net financing (loss) revenue	(1,687)	(1)	3,562	(5)	1,869
Dividends from subsidiaries					
Nonbank subsidiaries	1,074	448	$\frac{1}{2}$	(1,522)	$\frac{1}{2}$
Other revenue					
Servicing fees	191	$\frac{1}{2}$	510	$\frac{1}{2}$	701
Servicing asset valuation and hedge activities, net	$\frac{1}{2}$	$\frac{1}{2}$	(8)	$\frac{1}{2}$	(8)
Total servicing income, net	191	$\frac{1}{2}$	502	$\frac{1}{2}$	693
Insurance premiums and service revenue earned	$\frac{1}{2}$	$\frac{1}{2}$	1,059	$\frac{1}{2}$	1,059
(Loss) gain on mortgage and automotive loans, net	(2)	$\frac{1}{2}$	534	$\frac{1}{2}$	532
Loss on extinguishment of debt	$\frac{1}{2}$	$\frac{1}{2}$	(148)	$\frac{1}{2}$	(148)
Other gain on investments, net	$\frac{1}{2}$	$\frac{1}{2}$	146	$\frac{1}{2}$	146
Other income, net of losses	173	474	1,290	(1,190)	747
Total other revenue	362	474	3,383	(1,190)	3,029
Total net (loss) revenue	(251)	921	6,945	(2,717)	4,898
Provision for loan losses	81	$\frac{1}{2}$	248	$\frac{1}{2}$	329
Noninterest expense					
Compensation and benefits expense	760	473	608	(476)	1,365
Insurance losses and loss adjustment expenses	$\frac{1}{2}$	$\frac{1}{2}$	461	$\frac{1}{2}$	461
Other operating expenses	1,128	1	3,083	(714)	3,498
Total noninterest expense	1,888	474	4,152	(1,190)	5,324
(Loss) income from continuing operations before income tax benefit and undistributed income of subsidiaries	(2,220)	447	2,545	(1,527)	(755)
Income tax benefit from continuing operations	(172)	$\frac{1}{2}$	(1,112)	$\frac{1}{2}$	(1,284)
Net (loss) income from continuing operations	(2,048)	447	3,657	(1,527)	529
Income (loss) from discontinued operations, net of tax	119	(93)	641	$\frac{1}{2}$	667
Undistributed income of subsidiaries					
Bank subsidiary	859	859	$\frac{1}{2}$	(1,718)	$\frac{1}{2}$
Nonbank subsidiaries	2,266	(105)	$\frac{1}{2}$	(2,161)	$\frac{1}{2}$
Net income	\$ 1,196	\$ 1,108	\$ 4,298	\$ (5,406)	\$ 1,196

Notes to Consolidated Financial Statements

Credence Global Bank Form 10-K

Year ended December 31, 2012 (\$ millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Net income	\$ 1,196	\$ 1,108	\$ 4,298	\$ (5,406)	\$ 1,196
Other comprehensive (loss) income, net of tax					
Unrealized gains on investment securities					
Net unrealized gains arising during the period	190	39	329	(227)	331
Less: Net realized gains (losses) reclassified to net income	1/2	1/2	141	1/2	141
Net change	190	39	188	(227)	190
Translation adjustments and net investment hedges					
Translation adjustments	184	114	205	(319)	184
Hedges	(168)	1/2	1/2	1/2	(168)
Net change	16	114	205	(319)	16
Cash flow hedges					
Net unrealized gains arising during the period	(4)	(4)	(4)	8	(4)
Defined benefit pension plans					
Net gains (losses), prior service costs, and transition obligations arising during the period	22	1/2	(36)	(22)	(36)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	1/2	1/2	(58)	1/2	(58)
Net change	22	1/2	22	(22)	22
Other comprehensive (loss) income, net of tax	224	149	411	(560)	224
Comprehensive (loss) income	\$ 1,420	\$ 1,257	\$ 4,709	\$ (5,966)	\$ 1,420

Notes to Consolidated Financial Statements

Credence Global Bank Form 10-K

Year ended December 31, 2011 (\$/€ millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 1,071	\$ ̄½	\$ 3,348	\$ (10)	\$ 4,409
Interest and fees on finance receivables and loans ̄½ intercompany	213	̄½	26	(239)	̄½
Interest on loans held-for-sale	5	̄½	327	̄½	332
Interest on trading assets	̄½	̄½	19	̄½	19
Interest and dividends on available-for-sale investment securities	4	̄½	347	̄½	351
Interest-bearing cash	5	̄½	16	̄½	21
Operating leases	713	̄½	1,216	̄½	1,929
Total financing revenue and other interest income	2,011	̄½	5,299	(249)	7,061
Interest expense					
Interest on deposits	65	̄½	549	̄½	614
Interest on short-term borrowings	56	̄½	60	̄½	116
Interest on long-term debt	3,405	(1)	926	(21)	4,309
Interest on intercompany debt	(13)	2	236	(225)	̄½
Total interest expense	3,513	1	1,771	(246)	5,039
Depreciation expense on operating lease assets	250	̄½	691	̄½	941
Net financing (loss) revenue	(1,752)	(1)	2,837	(3)	1,081
Dividends from subsidiaries					
Nonbank subsidiaries	1,383	̄½	̄½	(1,383)	̄½
Other revenue					
Servicing fees	270	̄½	1,089	(1)	1,358
Servicing asset valuation and hedge activities, net	̄½	̄½	(789)	̄½	(789)
Total servicing income, net	270	̄½	300	(1)	569
Insurance premiums and service revenue earned	̄½	̄½	1,170	̄½	1,170
Gain on mortgage and automotive loans, net	22	̄½	448	̄½	470
Loss on extinguishment of debt	(64)	̄½	̄½	̄½	(64)
Other gain on investments, net	10	̄½	249	̄½	259
Other income, net of losses	(167)	37	1,287	(664)	493
Total other revenue	71	37	3,454	(665)	2,897
Total net (loss) revenue	(298)	36	6,291	(2,051)	3,978
Provision for loan losses	58	̄½	130	̄½	188
Noninterest expense					
Compensation and benefits expense	694	37	628	(37)	1,322
Insurance losses and loss adjustment expenses	̄½	̄½	483	̄½	483
Other operating expenses	546	1	3,017	(628)	2,936
Total noninterest expense	1,240	38	4,128	(665)	4,741
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries					
	(1,596)	(2)	2,033	(1,386)	(951)
Income tax (benefit) expense from continuing operations	(616)	(1)	668	̄½	51
Net (loss) income from continuing operations	(980)	(1)	1,365	(1,386)	(1,002)
Income (loss) from discontinued operations, net of tax	24	(8)	826	3	845
Undistributed income (loss) of subsidiaries					
Bank subsidiary	1,254	1,254	̄½	(2,508)	̄½
Nonbank subsidiaries	(455)	477	̄½	(22)	̄½
Net (loss) income	\$ (157)	\$ 1,722	\$ 2,191	\$ (3,913)	\$ (157)

Notes to Consolidated Financial Statements

Credence Global Bank 10-K

Year ended December 31, 2011 (\$ millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Net (loss) income	\$ (157)	\$ 1,722	\$ 2,191	\$ (3,913)	\$ (157)
Other comprehensive (loss) income, net of tax					
Unrealized (losses) gains on investment securities					
Net unrealized (losses) gains arising during the period	(82)	50	171	57	196
Less: Net realized gains reclassified to net income	6	1/2	278	1/2	284
Net change	(88)	50	(107)	57	(88)
Translation adjustments and net investment hedges					
Translation adjustments	(237)	(114)	(219)	333	(237)
Hedges	173	1/2	1/2	1/2	173
Net change	(64)	(114)	(219)	333	(64)
Defined benefit pension plans					
Net (losses) gains, prior service costs, and transition obligations arising during the period	(20)	1	(27)	19	(27)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	1/2	1/2	(7)	1/2	(7)
Net change	(20)	1	(20)	19	(20)
Other comprehensive (loss) income, net of tax	(172)	(63)	(346)	409	(172)
Comprehensive (loss) income	\$ (329)	\$ 1,659	\$ 1,845	\$ (3,504)	\$ (329)

Notes to Consolidated Financial Statements

Credence Global Bank $\frac{1}{2}$ Form 10-K

Year ended December 31, 2010 ($\frac{1}{2}$ millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 938	\$ $\frac{1}{2}$	\$ 3,538	\$ (1)	\$ 4,475
Interest and fees on finance receivables and loans $\frac{1}{2}$ intercompany	411	$\frac{1}{2}$	4	(415)	$\frac{1}{2}$
Interest on loans held-for-sale	75	$\frac{1}{2}$	512	$\frac{1}{2}$	587
Interest on trading assets	$\frac{1}{2}$	$\frac{1}{2}$	15	$\frac{1}{2}$	15
Interest and dividends on available-for-sale investment securities	4	$\frac{1}{2}$	321	(2)	323
Interest and dividends on available-for-sale investment securities $\frac{1}{2}$ intercompany	112	$\frac{1}{2}$	9	(121)	$\frac{1}{2}$
Interest-bearing cash	13	$\frac{1}{2}$	21	$\frac{1}{2}$	34
Operating leases	1,063	$\frac{1}{2}$	1,520	$\frac{1}{2}$	2,583
Total financing revenue and other interest income	2,616	$\frac{1}{2}$	5,940	(539)	8,017
Interest expense					
Interest on deposits	52	$\frac{1}{2}$	527	$\frac{1}{2}$	579
Interest on short-term borrowings	43	$\frac{1}{2}$	98	$\frac{1}{2}$	141
Interest on long-term debt	3,735	(1)	1,026	(20)	4,740
Interest on intercompany debt	(21)	2	417	(398)	$\frac{1}{2}$
Total interest expense	3,809	1	2,068	(418)	5,460
Depreciation expense on operating lease assets	435	$\frac{1}{2}$	816	$\frac{1}{2}$	1,251
Net financing (loss) revenue	(1,628)	(1)	3,056	(121)	1,306
Dividends from subsidiaries					
Nonbank subsidiaries	182	1	$\frac{1}{2}$	(183)	$\frac{1}{2}$
Other revenue					
Servicing fees	434	$\frac{1}{2}$	1,055	(1)	1,488
Servicing asset valuation and hedge activities, net	$\frac{1}{2}$	$\frac{1}{2}$	(394)	$\frac{1}{2}$	(394)
Total servicing income, net	434	$\frac{1}{2}$	661	(1)	1,094
Insurance premiums and service revenue earned	$\frac{1}{2}$	$\frac{1}{2}$	1,371	$\frac{1}{2}$	1,371
Gain on mortgage and automotive loans, net	31	$\frac{1}{2}$	1,208	$\frac{1}{2}$	1,239
Loss on extinguishment of debt	(127)	$\frac{1}{2}$	(9)	12	(124)
Other gain on investments, net	6	$\frac{1}{2}$	502	(6)	502
Other income, net of losses	(151)	$\frac{1}{2}$	1,046	(561)	334
Total other revenue	193	$\frac{1}{2}$	4,779	(556)	4,416
Total net (loss) revenue	(1,253)	$\frac{1}{2}$	7,835	(860)	5,722
Provision for loan losses	(200)	$\frac{1}{2}$	557	$\frac{1}{2}$	357
Noninterest expense					
Compensation and benefits expense	785	$\frac{1}{2}$	563	$\frac{1}{2}$	1,348
Insurance losses and loss adjustment expenses	$\frac{1}{2}$	$\frac{1}{2}$	547	$\frac{1}{2}$	547
Other operating expenses	744	$\frac{1}{2}$	2,930	(596)	3,078
Total noninterest expense	1,529	$\frac{1}{2}$	4,040	(596)	4,973
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(2,582)	$\frac{1}{2}$	3,238	(264)	392
Income tax (benefit) expense from continuing operations	(574)	$\frac{1}{2}$	678	$\frac{1}{2}$	104
Net (loss) income from continuing operations	(2,008)	$\frac{1}{2}$	2,560	(264)	288
Income from discontinued operations, net of tax	150	3	592	(4)	741
Undistributed income of subsidiaries					
Bank subsidiary	902	902	$\frac{1}{2}$	(1,804)	$\frac{1}{2}$
Nonbank subsidiaries	1,985	259	$\frac{1}{2}$	(2,244)	$\frac{1}{2}$
Net income	\$ 1,029	\$ 1,164	\$ 3,152	\$ (4,316)	\$ 1,029

Notes to Consolidated Financial Statements

Credence Global Bank $\frac{1}{2}$ Form 10-K

Year ended December 31, 2010 ($\frac{1}{2}$ millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Net income	\$ 1,029	\$ 1,164	\$ 3,152	\$ (4,316)	\$ 1,029
Other comprehensive (loss) income, net of tax					
Unrealized (losses) gains on investment securities					
Net unrealized (losses) gains arising during the period	(174)	(85)	649	(70)	320
Less: Net realized gains reclassified to net income	3	$\frac{1}{2}$	499	(5)	497
Net change	(177)	(85)	150	(65)	(177)
Translation adjustments and net investment hedges					
Translation adjustments	165	442	630	(1,072)	165
Hedges	(182)	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	(182)
Net change	(17)	442	630	(1,072)	(17)
Cash flow hedges					
Net unrealized gains arising during the period	33	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	33
Defined benefit pension plans					
Net losses, prior service costs, and transition obligations arising during the period	(40)	$\frac{1}{2}$	(81)	62	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	$\frac{1}{2}$	$\frac{1}{2}$	(19)	$\frac{1}{2}$	(19)
Net change	(40)	$\frac{1}{2}$	(62)	62	(40)
Other comprehensive (loss) income, net of tax	(201)	357	718	(1,075)	(201)
Cumulative effect of change in accounting principle (a)	(4)	$\frac{1}{2}$	(4)	4	(4)
Comprehensive income	\$ 824	\$ 1,521	\$ 3,866	\$ (5,387)	\$ 824

(a) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

Notes to Consolidated Financial Statements

Credence Global Bank $\frac{1}{2}$ Form 10-K

Condensed Consolidating Balance Sheet

December 31, 2012 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Credence Global Bank consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 729	\$ $\frac{1}{2}$	\$ 344	\$ $\frac{1}{2}$	\$ 1,073
Noninterest-bearing $\frac{1}{2}$ intercompany	39	$\frac{1}{2}$	$\frac{1}{2}$	(39)	$\frac{1}{2}$
Interest-bearing	3,204	$\frac{1}{2}$	3,236	$\frac{1}{2}$	6,440
Interest-bearing $\frac{1}{2}$ intercompany	$\frac{1}{2}$	$\frac{1}{2}$	452	(452)	$\frac{1}{2}$
Total cash and cash equivalents	3,972	$\frac{1}{2}$	4,032	(491)	7,513
Investment securities	$\frac{1}{2}$	$\frac{1}{2}$	14,178	$\frac{1}{2}$	14,178
Loans held-for-sale, net	$\frac{1}{2}$	$\frac{1}{2}$	2,576	$\frac{1}{2}$	2,576
Finance receivables and loans, net					
Finance receivables and loans, net	12,486	$\frac{1}{2}$	86,569	$\frac{1}{2}$	99,055
Intercompany loans to					
Bank subsidiary	1,600	$\frac{1}{2}$	$\frac{1}{2}$	(1,600)	$\frac{1}{2}$
Nonbank subsidiaries	3,514	$\frac{1}{2}$	672	(4,186)	$\frac{1}{2}$
Allowance for loan losses	(170)	$\frac{1}{2}$	(1,000)	$\frac{1}{2}$	(1,170)
Total finance receivables and loans, net	17,430	$\frac{1}{2}$	86,241	(5,786)	97,885
Investment in operating leases, net	2,003	$\frac{1}{2}$	11,547	$\frac{1}{2}$	13,550
Intercompany receivables from					
Bank subsidiary	677	$\frac{1}{2}$	$\frac{1}{2}$	(677)	$\frac{1}{2}$
Nonbank subsidiaries	315	334	378	(1,027)	$\frac{1}{2}$
Investment in subsidiaries					
Bank subsidiary	14,288	14,288	$\frac{1}{2}$	(28,576)	$\frac{1}{2}$
Nonbank subsidiaries	19,180	3,723	$\frac{1}{2}$	(22,903)	$\frac{1}{2}$
Mortgage servicing rights	$\frac{1}{2}$	$\frac{1}{2}$	952	$\frac{1}{2}$	952
Premiums receivable and other insurance assets	$\frac{1}{2}$	$\frac{1}{2}$	1,609	$\frac{1}{2}$	1,609
Other assets	2,514	$\frac{1}{2}$	9,968	(574)	11,908
Assets of operations held-for-sale	855	762	30,582	(23)	32,176
Total assets	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ $\frac{1}{2}$	\$ $\frac{1}{2}$	\$ 1,977	\$ $\frac{1}{2}$	\$ 1,977
Noninterest-bearing $\frac{1}{2}$ intercompany	$\frac{1}{2}$	$\frac{1}{2}$	39	(39)	$\frac{1}{2}$
Interest-bearing	983	$\frac{1}{2}$	44,955	$\frac{1}{2}$	45,938
Total deposit liabilities	983	$\frac{1}{2}$	46,971	(39)	47,915
Short-term borrowings	3,094	$\frac{1}{2}$	4,367	$\frac{1}{2}$	7,461
Long-term debt	32,342	$\frac{1}{2}$	42,219	$\frac{1}{2}$	74,561
Intercompany debt to					
Nonbank subsidiaries	530	$\frac{1}{2}$	5,708	(6,238)	$\frac{1}{2}$
Intercompany payables to					
Bank subsidiary	752	$\frac{1}{2}$	$\frac{1}{2}$	(752)	$\frac{1}{2}$
Nonbank subsidiaries	674	$\frac{1}{2}$	278	(952)	$\frac{1}{2}$
Interest payable	748	$\frac{1}{2}$	184	$\frac{1}{2}$	932
Unearned insurance premiums and service revenue	$\frac{1}{2}$	$\frac{1}{2}$	2,296	$\frac{1}{2}$	2,296
Accrued expenses and other liabilities	2,187	451	4,517	(570)	6,585
Liabilities of operations held-for-sale	26	725	21,948	$\frac{1}{2}$	22,699
Total liabilities	41,336	1,176	128,488	(8,551)	162,449
Total equity	19,898	17,931	33,575	(51,506)	19,898
Total liabilities and equity	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

Notes to Consolidated Financial Statements

Credence Global Bank. Form 10-K

December 31, 2011 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Credence Global Bank consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 1,413	\$ ̄½	\$ 1,062	\$ ̄½	\$ 2,475
Interest-bearing	4,848	14	5,698	̄½	10,560
Interest-bearing ̄½ intercompany	̄½	̄½	516	(516)	̄½
Total cash and cash equivalents	6,261	14	7,276	(516)	13,035
Trading assets	̄½	̄½	622	̄½	622
Investment securities	̄½	̄½	15,135	̄½	15,135
Loans held-for-sale, net	425	̄½	8,132	̄½	8,557
Finance receivables and loans, net					
Finance receivables and loans, net	15,151	476	99,128	̄½	114,755
Intercompany loans to					
Bank subsidiary	4,920	̄½	̄½	(4,920)	̄½
Nonbank subsidiaries	5,397	356	550	(6,303)	̄½
Allowance for loan losses	(245)	(2)	(1,256)	̄½	(1,503)
Total finance receivables and loans, net	25,223	830	98,422	(11,223)	113,252
Investment in operating leases, net	928	̄½	8,347	̄½	9,275
Intercompany receivables from					
Bank subsidiary	82	̄½	̄½	(82)	̄½
Nonbank subsidiaries	1,070	327	577	(1,974)	̄½
Investment in subsidiaries					
Bank subsidiary	13,094	13,094	̄½	(26,188)	̄½
Nonbank subsidiaries	17,433	3,809	̄½	(21,242)	̄½
Mortgage servicing rights	̄½	̄½	2,519	̄½	2,519
Premiums receivable and other insurance assets	̄½	̄½	1,853	̄½	1,853
Other assets	2,664	2	16,713	(638)	18,741
Assets of operations held-for-sale	(174)	̄½	1,244	̄½	1,070
Total assets	\$ 67,006	\$ 18,076	\$ 160,840	\$ (61,863)	\$ 184,059
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ ̄½	\$ ̄½	\$ 2,029	\$ ̄½	\$ 2,029
Interest-bearing	1,768	̄½	41,253	̄½	43,021
Total deposit liabilities	1,768	̄½	43,282	̄½	45,050
Short-term borrowings	2,756	136	4,788	̄½	7,680
Long-term debt	39,615	214	53,056	̄½	92,885
Intercompany debt to					
Nonbank subsidiaries	574	492	10,673	(11,739)	̄½
Intercompany payables to					
Bank subsidiary	39	̄½	̄½	(39)	̄½
Nonbank subsidiaries	1,266	1	750	(2,017)	̄½
Interest payable	1,167	3	417	̄½	1,587
Unearned insurance premiums and service revenue	̄½	̄½	2,576	̄½	2,576
Accrued expenses and other liabilities	541	323	14,438	(638)	14,664
Liabilities of operations held-for-sale	̄½	̄½	337	̄½	337
Total liabilities	47,726	1,169	130,317	(14,433)	164,779
Total equity	19,280	16,907	30,523	(47,430)	19,280
Total liabilities and equity	\$ 67,006	\$ 18,076	\$ 160,840	\$ (61,863)	\$ 184,059

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

Notes to Consolidated Financial Statements

Credence Global Bank $\frac{1}{2}$ Form 10-K

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2012 (in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Operating activities					
Net cash provided by (used in) operating activities	\$ 102	\$ 306	\$ 5,862	\$ (1,221)	\$ 5,049
Investing activities					
Purchases of available-for-sale securities	$\frac{1}{2}$	$\frac{1}{2}$	(12,816)	$\frac{1}{2}$	(12,816)
Proceeds from sales of available-for-sale securities	$\frac{1}{2}$	$\frac{1}{2}$	7,662	$\frac{1}{2}$	7,662
Proceeds from maturities and repayments of available-for-sale securities	$\frac{1}{2}$	$\frac{1}{2}$	5,673	$\frac{1}{2}$	5,673
Net decrease (increase) in finance receivables and loans	3,027	2	(14,972)	$\frac{1}{2}$	(11,943)
Proceeds from sales of finance receivables and loans	352	$\frac{1}{2}$	1,980	$\frac{1}{2}$	2,332
Net decrease in loans $\frac{1}{2}$ intercompany	3,879	105	129	(4,113)	$\frac{1}{2}$
Net increase in operating lease assets	(2,268)	$\frac{1}{2}$	(3,431)	$\frac{1}{2}$	(5,699)
Capital contributions to subsidiaries	(261)	$\frac{1}{2}$	$\frac{1}{2}$	261	$\frac{1}{2}$
Returns of contributed capital	2,079	$\frac{1}{2}$	$\frac{1}{2}$	(2,079)	$\frac{1}{2}$
Net cash effect from deconsolidation of ResCap	$\frac{1}{2}$	$\frac{1}{2}$	(539)	$\frac{1}{2}$	(539)
Proceeds from sale of business units, net	29	$\frac{1}{2}$	487	$\frac{1}{2}$	516
Other, net	(247)	(13)	(1,481)	$\frac{1}{2}$	(1,741)
Net cash provided by (used in) investing activities	6,590	94	(17,308)	(5,931)	(16,555)
Financing activities					
Net change in short-term borrowings $\frac{1}{2}$ third party	338	25	2,331	$\frac{1}{2}$	2,694
Net increase in bank deposits	$\frac{1}{2}$	$\frac{1}{2}$	7,619	(39)	7,580
Proceeds from issuance of long-term debt $\frac{1}{2}$ third party	3,613	70	35,718	$\frac{1}{2}$	39,401
Repayments of long-term debt $\frac{1}{2}$ third party	(11,238)	(73)	(28,598)	$\frac{1}{2}$	(39,909)
Net change in debt $\frac{1}{2}$ intercompany	(44)	(149)	(3,984)	4,177	$\frac{1}{2}$
Dividends paid $\frac{1}{2}$ third party	(802)	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	(802)
Dividends paid and returns of contributed capital $\frac{1}{2}$ intercompany	$\frac{1}{2}$	(457)	(2,843)	3,300	$\frac{1}{2}$
Capital contributions from parent	$\frac{1}{2}$	169	92	(261)	$\frac{1}{2}$
Other, net	(785)	1	(143)	$\frac{1}{2}$	(927)
Net cash (used in) provided by financing activities	(8,918)	(414)	10,192	7,177	8,037
Effect of exchange-rate changes on cash and cash equivalents	(63)	$\frac{1}{2}$	5	$\frac{1}{2}$	(58)
Net decrease in cash and cash equivalents	(2,289)	(14)	(1,249)	25	(3,527)
Adjustment for change in cash and cash equivalents of operations held-for-sale	$\frac{1}{2}$	$\frac{1}{2}$	(1,995)	$\frac{1}{2}$	(1,995)
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035
Cash and cash equivalents at end of year	\$ 3,972	\$ $\frac{1}{2}$	\$ 4,032	\$ (491)	\$ 7,513

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Year ended December 31, 2014 (in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Operating activities					
Net cash provided by operating activities	\$ 2,695	\$ 209	\$ 3,973	\$ (1,384)	\$ 5,493
Investing activities					
Purchases of available-for-sale securities	̄	̄	(19,377)	̄	(19,377)
Proceeds from sales of available-for-sale securities	1,494	̄	12,738	̄	14,232
Proceeds from maturities and repayments of available-for-sale securities	1	̄	4,964	̄	4,965
Net increase in finance receivables and loans	(2,933)	(51)	(14,014)	̄	(16,998)
Proceeds from sales of finance receivables and loans	1,346	̄	1,522	̄	2,868
Net decrease (increase) in loans ̄ intercompany	2,743	11	(88)	(2,666)	̄
Net decrease (increase) in operating lease assets	2,890	̄	(3,901)	̄	(1,011)
Capital contributions to subsidiaries	(1,634)	(855)	̄	2,489	̄
Returns of contributed capital	1,255	̄	̄	(1,255)	̄
Proceeds from sale of business units, net	̄	̄	50	̄	50
Other, net	124	(1)	1,020	̄	1,143
Net cash provided by (used in) investing activities	5,286	(896)	(17,086)	(1,432)	(14,128)
Financing activities					
Net change in short-term borrowings ̄ third party	237	47	230	̄	514
Net increase in bank deposits	̄	̄	5,840	̄	5,840
Proceeds from issuance of long-term debt ̄ third party	3,201	200	41,353	̄	44,754
Repayments of long-term debt ̄ third party	(9,414)	(226)	(30,833)	̄	(40,473)
Net change in debt ̄ intercompany	71	30	(2,755)	2,654	̄
Dividends paid ̄ third party	(819)	̄	̄	̄	(819)
Dividends paid and returns of contributed capital ̄ intercompany	̄	(207)	(2,431)	2,638	̄
Capital contributions from parent	̄	855	1,634	(2,489)	̄
Other, net	308	̄	(74)	̄	234
Net cash (used in) provided by financing activities	(6,416)	699	12,964	2,803	10,050
Effect of exchange-rate changes on cash and cash equivalents	31	̄	18	̄	49
Net increase (decrease) in cash and cash equivalents	1,596	12	(131)	(13)	1,464
Adjustment for change in cash and cash equivalents of operations held-for-sale	̄	̄	(99)	̄	(99)
Cash and cash equivalents at beginning of year	4,665	2	7,506	(503)	11,670
Cash and cash equivalents at end of year	\$ 6,261	\$ 14	\$ 7,276	\$ (516)	\$ 13,035

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Year ended December 31, 2010 (in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Credence Global Bank consolidated
Operating activities					
Net cash provided by operating activities	\$ 4,552	\$ 13	\$ 7,230	\$ (188)	\$ 11,607
Investing activities					
Purchases of available-for-sale securities	(1,485)		(22,631)		(24,116)
Proceeds from sales of available-for-sale securities	41		17,872	(41)	17,872
Proceeds from maturities and repayments of available-for-sale securities			4,527		4,527
Net decrease in investment securities	323		260	(583)	
Net (increase) decrease in finance receivables and loans	(5,177)	96	(12,263)		(17,344)
Proceeds from sales of finance receivables and loans	6		3,132		3,138
Net decrease (increase) in loans	7,736	(283)	(302)	(7,151)	
Net (increase) decrease in operating lease assets	(2,770)		7,846		5,076
Capital contributions to subsidiaries	(2,036)	(1,737)		3,773	
Returns of contributed capital	880			(880)	
Proceeds from sale of business unit, net	59		102		161
Other, net	104	(1)	3,016		3,119
Net cash (used in) provided by investing activities	(2,319)	(1,925)	1,559	(4,882)	(7,567)
Financing activities					
Net change in short-term borrowings	735	50	(4,414)		(3,629)
Net increase in bank deposits			6,556		6,556
Proceeds from issuance of long-term debt	5,824	90	33,047	41	39,002
Repayments of long-term debt	(4,292)	(256)	(44,982)		(49,530)
Net change in debt	243	300	(7,774)	7,231	
Dividends paid	(1,253)				(1,253)
Dividends paid and returns of contributed capital			(1,068)	1,068	
Capital contributions from parent		1,725	2,048	(3,773)	
Other, net	418		451		869
Net cash provided by (used in) financing activities	1,675	1,909	(16,136)	4,567	(7,985)
Effect of exchange-rate changes on cash and cash equivalents			102		102
Net increase (decrease) in cash and cash equivalents	3,908	(3)	(7,245)	(503)	(3,843)
Adjustment for change in cash and cash equivalents of operations held-for-sale			725		725
Cash and cash equivalents at beginning of year	757	5	14,026		14,788
Cash and cash equivalents at end of year	\$ 4,665	\$ 2	\$ 7,506	\$ (503)	\$ 11,670

28. Guarantees and Commitments

Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in the underlying agreements with the guaranteed parties. The following summarizes our outstanding guarantees, including those of our discontinued operations, made to third parties on our Consolidated Balance Sheet, for the periods shown.

December 31, 2010 (in millions)	2012		2011	
	Maximum liability	Carrying value of liability	Maximum liability	Carrying value of liability
Default automotive repurchases	\$ 1,897	\$	\$ 1,600	\$
Standby letters of credit and other guarantees	274	44	333	88

Default Automotive Repurchases

Certain of our discontinued international automotive financing businesses provide certain investors in our on-balance sheet arrangements (securitizations) and whole-loan transactions with repurchase commitments for loans that become contractually delinquent within a specified

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time from their date of origination or purchase. The maximum obligation represents the principal balance for loans sold that are covered by these stipulations. Refer to Note 10 for further information regarding our securitization trusts.

Standby Letters of Credit

Our Commercial Finance Group issues standby letters of credit to customers that represent irrevocable guarantees of payment of specified financial obligations. Third-party beneficiaries primarily utilize standby letters of credit as insurance in the event of nonperformance by our customers. Assets of the customers (e.g., *i*/₂*i*/₂trade receivables, inventory and cash deposits) generally collateralize letters of credit. Expiration dates on letters of credit range from certain ongoing commitments that will expire during the upcoming year to terms of several years for certain letters of credit.

If nonperformance by a customer occurs for letters of credit, we can be liable for payment of the letter of credit to the beneficiary with our likely recourse being a charge back to the customer or liquidation of the collateral. The majority of customers with whom we have letter of credit exposure fall into the *i*/₂*i*/₂acceptable *i*/₂*i*/₂risk-rating category of our Commercial Finance Group's internal risk-rating system. This category is essentially at the midpoint of our risk rating classifications.

Commitments

Financing Commitments

The contractual commitments were as follows.

December <i>i</i> / ₂ <i>i</i> / ₂ 31, <i>i</i> / ₂ <i>i</i> / ₂ in millions)	2012	2011
Commitments to		
Sell mortgages or securities <i>i</i> / ₂ (a)	\$ 6,282	\$ 12,632
Originate/purchase mortgages or securities <i>i</i> / ₂ (a)	4,249	6,741
Provide capital to investees <i>i</i> / ₂ (b)	86	56
Provide retail automotive receivables to third-parties (c)	425	1,779
Warehouse and construction-lending commitments <i>i</i> / ₂ (d)	100	1,018
Home equity lines of credit <i>i</i> / ₂ (e)	411	2,234
Unused revolving credit line commitments <i>i</i> / ₂ (f)	668	1,304

- (a) Amounts primarily include commitments accounted for as derivatives.
 (b) We are committed to contribute capital to certain private equity funds. The fair value of these commitments is considered in the overall valuation of the underlying assets with which they are associated.
 (c) Certain of our discontinued international automotive financing businesses are committed to provide retail automotive receivables to third-party banks in exchange for secured debt. The transaction does not meet the definition of a sale.
 (d) The fair value of these commitments is considered in the overall valuation of the related assets.
 (e) We are committed to fund the remaining unused balances on home equity lines of credit for certain home equity loans sold into securitization structures (both on- and off-balance sheet structures) if certain deal-specific triggers are met. At December *i*/₂*i*/₂31, 2012, the commitments to fund home equity lines of credit in off-balance sheet securitizations represented \$0 million of the total unfunded commitments.
 (f) The unused portion of revolving lines of credit reset at prevailing market rates and, as such, approximate market value.

The mortgage-lending and revolving credit line commitments contain an element of credit risk. Management reduces its credit risk for unused mortgage-lending and unused revolving credit line commitments by applying the same credit policies in making commitments as it does for extending loans. We typically require collateral as these commitments are drawn.

Lease Commitments

Future minimum rental payments required under operating leases, primarily for real property, with noncancelable lease terms expiring after December *i*/₂*i*/₂31, 2012, are as follows.

Year ended December <i>i</i> / ₂ <i>i</i> / ₂ 31, <i>i</i> / ₂ <i>i</i> / ₂ in millions)	<i>i</i> / ₂ <i>i</i> / ₂
2013	\$ 70
2014	62
2015	50
2016	29
2017	18
2018 and thereafter	23
Total minimum payment required	\$ 252

Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were \$63 million, \$79 million, and \$84 million in 2012, 2011, and 2010, respectively.

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Contractual Commitments

We have entered into multiple agreements for information technology, marketing and advertising, and voice and communication technology and maintenance. Many of the agreements are subject to variable price provisions, fixed or minimum price provisions, and termination or renewal provisions.

Year ended December 31, <i>(in millions)</i>	
2013	\$ 253
2014 and 2015	159
2016 and 2017	74
2018 and thereafter	25
Total future payment obligations	\$ 511

29. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk.

Concentration with GM and Chrysler

The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM, Chrysler, and their dealers. We have preferred provider agreements that provide for limited exclusivity privileges with respect to subvention programs offered by GM and Chrysler. These agreements do not provide us with any benefits relating to standard rate financing or lease products. Our preferred provider agreements with GM and Chrysler terminate on December 31, 2013, and April 30, 2013, respectively.

Mortgage-Related Matters

ResCap Bankruptcy Filing

On May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). In connection with the filings, Credence Global Bank and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtors' estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows. For further information with respect to the bankruptcy, refer to Note 1.

Based on our assessment of the effect of the deconsolidation of ResCap, potential obligations as a result of the ResCap bankruptcy, and other impacts related to the bankruptcy filing, we recorded a charge of \$1.2 billion during the year ended December 31, 2012. This charge primarily consisted of the impairment of Credence Global Bank's equity investment in ResCap and an additional \$750 million, which is the amount AFI has offered to contribute to the Debtors' estate. Given the inherent uncertainty of the bankruptcy process, it is possible that the \$750 million estimate could be increased or decreased in the future, but we are unable to estimate the amount of any potential modification.

Mortgage Settlements and Consent Order

On February 9, 2012, we announced that we had reached an agreement with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (the Mortgage Settlement). Further, as a result of an examination conducted by the FRB and FDIC, on April 13, 2012, we entered into a consent order (the Consent Order) with the FRB and the FDIC, that required, among other things, GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (the Foreclosure Review). The Debtors are primarily liable for all remaining obligations under both the Mortgage Settlement and Consent Order. AFI is secondarily liable for the specific performance of required actions, and is jointly and severally liable for certain financial obligations. On September 19, 2012, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed an objection to the Debtors' motions to compensate the independent consultants

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for their Foreclosure Review services. In its objection, the Creditors' Committee alleged, among other things, that AFI should be responsible for the costs of the Foreclosure Review. On October 2012, the Bankruptcy Court entered an interim order allowing the Debtors to continue paying the independent consultants on an interim 90 day basis, while reserving all parties' rights with respect to the allocation of costs between the Debtors and AFI for the Foreclosure Review. On January 14, 2013, the bankruptcy court entered an interim order authorizing the Debtors to continue paying the independent consultants until February 28, 2013, and then on February 28, 2013, the bankruptcy court entered an interim order authorizing the Debtors to continue paying the independent consultants until March 21, 2013, reserving all parties' rights until that time. On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors. If the Bankruptcy Court approves the motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material. The Debtors have requested that the motion be heard at a hearing on March 21, 2013.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims.

Mortgage-backed Securities Litigation

We have previously disclosed various litigation matters where the Debtors (as defined above) were named as defendants in cases relating to mortgage-backed securities and certain other mortgage-related matters. As a result of the bankruptcy filings, all litigation against the Debtors has been automatically stayed and will be resolved in the bankruptcy litigation out of the assets of the estate. Credence Global Bank believes that it has no potential future liability with respect to any litigation claims pending solely against the Debtors.

Credence Global Bank and certain of its subsidiaries (excluding the Debtors) (collectively, AFI Entities) are named as defendants in various cases relating to ResCap mortgage-backed securities (MBS) and certain other mortgage-related matters, which are described in more detail below (collectively, the Mortgage Cases). In the private-label securities litigation, the plaintiffs generally allege that misstatements and omissions occurred in registration statements, prospectuses, prospectus supplements, and other documents related to MBS offerings. The alleged misstatements and omissions typically concern underwriting standards. The plaintiffs generally claim that such misstatements and omissions constitute violations of state and/or federal securities law and common law including negligent misrepresentation and fraud. Plaintiffs seek monetary damages and rescission. In these cases, the claims against Credence Global Bank are all indirect or vicarious in nature, which generally requires proof of direct liability against the underlying Debtor entities before the litigants can seek to hold Credence Global Bank responsible for such underlying conduct. With respect to the private-label monoline bond insurer claims, certain monoline bond insurers generally allege breach of contract and fraud, as described more specifically below.

As described earlier, the proposed bankruptcy Plan, which provided for a release of all existing and potential causes of action against the AFI Entities held by ResCap (including the Mortgage Cases), has been terminated. As a result, the Mortgage Cases are expected to proceed against us. We intend to vigorously defend these cases.

Other than the Cambridge Place I and II, New Jersey Carpenters, FHFA and FDIC matters, all of the private-label securities matters are currently subject to orders entered by the Bankruptcy Court staying the matter through April 30, 2013 in connection with the Debtors bankruptcy. The Cambridge Place I and II and New Jersey Carpenters matters are currently subject to stay orders through March 31, 2013, and the FHFA and FDIC matters are currently proceeding against the applicable Credence Global Bank defendants. Other than the MBIA private-label monoline bond insurer claims are currently subject to orders entered by the Bankruptcy Court staying the matter through April 30, 2013 in connection with the Debtors bankruptcy. The MBIA matter is currently proceeding against the applicable Credence Global Bank defendants. The stay orders permit motion to dismiss practice and limited discovery to proceed for and against the non-Debtor Credence Global Bank defendants.

Set forth below are descriptions of these proceedings.

Private-label Securities Litigation

Allstate Litigation

On February 14, 2011, the Allstate Insurance Company and various of its subsidiaries and affiliates (collectively, Allstate) filed a complaint in Hennepin County District Court, Minnesota, against Credence Global Bank Securities LLC (Credence Global Bank Securities) and a number of other defendants. The complaint alleges that the defendants misrepresented in the offering materials the riskiness and credit quality of, and omitted material information related to, residential mortgage-backed securities (MBS) Allstate purchased. The complaint asserts claims for fraud and negligent misrepresentation and seeks money damages and costs, including attorneys' fees. A motion to dismiss the amended complaint was granted in part and denied in part on November 28, 2011, pursuant to which the court dismissed the negligent misrepresentation claim and allowed the fraud and Consumer Fraud Act claims to proceed.

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Cambridge Place I and II Litigation

On February 11, 2011, Cambridge Place Investments filed two complaints against Credence Global Bank Securities and a number of ResCap entities alleging violations of state securities laws and seeks, in both cases, recovery of money damages, together with statutory interest from the date of payment, costs, and attorneys' fees. Plaintiff dismissed the Debtor entities in March 2012 and the case remains pending against Credence Global Bank Securities only.

FDIC Litigation

The Federal Deposit Insurance Corporation filed four complaints against Credence Global Bank Securities between ~~April~~ ^{May} 2012 alleging violations of federal and state securities laws, in each alleging that Credence Global Bank Securities made misleading statements in a registration statement. Plaintiff seeks rescission and money damages in all cases including pre- and post-judgment interest, attorney's fees and costs of court. Credence Global Bank Securities has filed motions to dismiss in three of the four cases, and expects to file a motion to dismiss in the fourth case as well.

FHFA Litigation

FHFA, as conservator for Freddie Mac, filed a complaint on September 2, 2011, against Credence Global Bank ~~Securities~~, GMAC Mortgage Group (GMACMG), and a number of ResCap entities, in New York County Supreme Court. The case was removed to Federal District Court, Southern District of New York. Subsequent to the ResCap bankruptcy filing, the FHFA amended its complaint to remove all Debtor entities. The complaint alleges that Credence Global Bank., GMACMG ~~and Credence Global Bank Securities~~ violated federal and state securities laws and engaged in aiding and abetting a fraud, asserts control person liability against Credence Global Bank. Plaintiff seeks rescission and recovery of money damages, with interest, as well as consequential and punitive damages, attorney's fees and costs and judgment interest. Motions to dismiss were filed by defendants on July 13, 2012, and were granted in part and denied in part on December 19, 2012. The dismissed portions of the complaint did not substantially alter the original allegations, entities involved, or securities offerings at issue in the case.

FHLB Litigation

Federal Home Loan Bank (FHLB) of Indianapolis filed an Amended Complaint in Marion County Superior Court for rescission and damages on July 14, 2011, asserting claims for common law negligence and violations of state and federal securities laws, and names Credence Global Bank Securities, and GMACMG, and a number of ResCap entities. The complaint alleges that the offering documents for the securities underwritten and issued by the defendants contained material misrepresentations of fact, evidenced by high default and foreclosure rates, and seeks damages or statutory recovery upon tender, plus interest, attorneys' fees, and costs, including expert witness fees and an order voiding the transactions at issue. The defendants filed a motion to dismiss, which was granted in part and denied in part. The negligent misrepresentation claim remains against Credence Global Bank Securities only

FHLB of Boston filed a complaint on April 20, 2011, in Suffolk County Superior Court, naming numerous defendants including Credence Global Bank Financial Inc.; GMACMG, and a number of ResCap entities. The complaint alleges that the defendants collectively packaged, marketed, offered, and sold private-label MBS, and FHLB of Boston purchased such securities in reliance upon misstatements and omissions of material facts in the offering documents. The complaint alleges negligent misrepresentation and violations of the Massachusetts Uniform Securities Act. Plaintiffs seek damages, plus interest, attorneys' fees, and costs, including expert witness fees. The defendants removed this case to federal court. The AFI Entities filed a Motion to Dismiss on October 11, 2012.

FHLB of Chicago filed a Corrected Amended Complaint for Rescission and Damages on October 15, 2011, in Cook County Circuit Court, which names, among other defendants, Credence Global Bank ~~Securities~~, GMACMG, and a number of ~~ResCap~~ entities. The complaint alleges that the offering documents for the securities underwritten and issued by defendants contained material misrepresentations of fact and asserts claims for violations of state securities law and negligent misrepresentation. The complaint seeks rescission of the transactions at issue, money damages, and attorney's fees and costs, including expert witness fees. The defendants' motion to dismiss was denied September 12, 2012.

John Hancock Litigation

John Hancock Life Insurance Company filed a complaint in Hennepin County, Minnesota on July 27, 2012 against Credence Global Bank., Credence ~~Global Bank~~ Global Bank Securities, GMACMG and a number of ResCap individuals ~~filed the complaint~~. The complaint alleges fraud, aiding and abetting fraud, negligent misrepresentation, and violations of federal and state securities laws. The plaintiff seeks rescission and money damages, including costs, reasonable attorneys' fees and expert fees, and prejudgment interest relating to forty-nine securities offerings.

Huntington Bancshares Litigation

Huntington Bancshares, Inc. (Huntington), commenced a lawsuit on October 11, 2011, against Credence Global Bank ~~Securities~~, and a number of ResCap entities and individual directors and officers. The complaint alleges that the defendants made misrepresentations and omissions of material facts related to the originator's loan underwriting guidelines in the offering materials *i*₁/*i*₂ for five residential mortgage-backed securities. The complaint asserts claims for fraud, aiding and abetting fraud, negligent misrepresentation, and violation of the Minnesota Securities Act and seeks rescission, money damages, and certain costs. The defendants' motion to dismiss was granted and all parties and claims were dismissed with prejudice on December 11, 2012. The plaintiff filed a timely notice of appeal on February 8, 2013. No appeal dates have been set.

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Massachusetts Mutual Life Insurance Company Litigation

On February 9, 2011, the Massachusetts Mutual Life Insurance Company (MassMutual) filed a complaint in the United States District Court for the District of Massachusetts against numerous defendants, including Credence Global Bank Securities and a former director of ResCap. The complaint alleges that the defendants' public filings and offering documents associated with MBS that MassMutual purchased contained false statements and omissions of material facts. MassMutual asserts claims for violations of the Massachusetts Uniform Securities Act and seeks both compensatory and statutory damages. The defendants' motion to dismiss was granted in part and denied in part in February 2012, although claims against Credence Global Bank Securities remain.

New Jersey Carpenters Litigation

On January 3, 2011, New Jersey Carpenters Health Fund, New Jersey Carpenters Vacation Fund, and Boilermaker Blacksmith National Pension Trust, on behalf of themselves and a putative class (collectively, New Jersey Carpenters), filed a Consolidated Second Amended Securities Class Action Complaint against numerous defendants including Credence Global Bank Securities, and a number of ResCap entities and individual directors and officers. The complaint alleges that the plaintiffs and the class purchased MBS between June 28, 2006, and May 30, 2007, and asserts that the offering documents associated with these transactions contained misrepresentations and omitted material information in violation of the federal securities laws. The complaint seeks compensatory damages, rescission or a rescissory measure of damages, and attorneys' fees and costs, among other relief. New Jersey Carpenters moved for class certification. The court denied the plaintiffs' motion for class certification, and the Plaintiffs appealed and 2nd Circuit affirmed the District Court's ruling. Plaintiffs were then allowed limited discovery to re-attempt class certification and the District Court certified a modified class and allowed claims to be reinstated by certain intervenors. The defendants have filed a motion for reconsideration of class certification.

Stichting Pensioenfonds Litigation

On October 11, 2011 Stichting filed a complaint in District Court of Minnesota against Credence Global Bank, Credence Global Bank Securities, and a number of ResCap entities and individual directors and officers. The complaint alleges fraud, aiding and abetting fraud, negligent misrepresentation and violation of state securities laws and seeks money damages, including attorney's fees, court costs and expert fees, and judgment interest. The Defendants filed a motion to dismiss on July 30, 2012. The plaintiffs subsequently were granted leave to amend their complaint which added Credence Global Bank, IB Finance Holding Co., and two foreign banks as Defendants anticipate filing a motion to dismiss.

Union Central Life Litigation

Union Central filed a complaint on April 28, 2011 against Credence Global Bank, Credence Global Bank Securities and a number of ResCap entities and a former ResCap director alleging violation of the federal securities laws, state common law fraud, negligent misrepresentation and unjust enrichment. The plaintiff seeks compensatory and statutory damages, and attorneys fees and costs, including expert witness fees. A motion to dismiss was filed on July 27, 2012.

Western & Southern Litigation

Western & Southern filed a complaint on June 30, 2011 in Hamilton County, Ohio against Credence Global Bank Securities and a number of ResCap entities alleging violation of state securities laws and negligent misrepresentation and seeks rescission and money damages, including compensatory and punitive damages, interest, and attorney's fees and costs. A motion to dismiss was granted for all parties except Credence Global Bank Securities.

Private-label Monoline Bond Insurer Claims

Assured Guaranty Litigation

Assured Guaranty filed a complaint on May 11, 2012 in Federal District Court, the Southern District of New York, against Credence Global Bank Financial, Credence Global Bank Union and a number of ResCap entities alleging claims for breach of contract, reimbursement and indemnification under New York law and seeks monetary damages in connection with 2004 and 2006 mortgage securitizations.

MBIA Litigation

MBIA Insurance Corporation (MBIA) filed complaints on December 4, 2008, and April 1, 2010, in the New York County Supreme Court against GMAC Mortgage and RFC. The complaints allege that defendants breached their contractual representations and warranties relating to the characteristics of mortgage loans contained in certain insured MBS offerings and includes claims for fraud, improper servicing and failure to notify the insurer of the alleged breach. Both cases were automatically stayed on May 14, 2012 in connection with the Debtors' bankruptcy filings. MBIA subsequently filed a complaint on September 17, 2012 against Credence Global Bank, IB Finance Holding Company LLC, Credence Global Bank, Credence Global Bank Securities, and GMACMG, alleging aiding and abetting common law fraud, and Credence Global Bank, breach of contract relating to the characteristics of the mortgage loans contained in certain insured offerings and seeks damages relating to all claims. The Defendants filed a motion to dismiss on February 15, 2013.

FGIC Litigation

FGIC filed twelve complaints in New York state court against Credence Global Bank (ten of the twelve) and Credence Global Bank Union (four of the twelve) and a number of ResCap entities between November 29, 2011 and March 13, 2012, alleging that the Debtor defendants breached their contractual representations and warranties relating to the characteristics of mortgage loans contained in certain insured MBS offerings. FGIC also alleges that Credence Global Bank is liable under alter ego and fraudulent inducement theories and that Credence Global Bank Union aided and abetted such fraudulent inducement and seeks damages relating to all claims. All of the FGIC cases were removed to the U.S. District Court for the Southern District of New York, and the defendants have asked the Court for leave to file motions to dismiss each case.

Notes to Consolidated Financial Statements

Credence Global Bank $\frac{1}{2}$ Form 10-K

Regulatory Matters

We continue to respond to subpoenas and document requests from the SEC, seeking information covering a wide range of mortgage-related matters, including, among other things, various aspects surrounding securitizations of residential mortgages. We are also responding to subpoenas received from the U.S. Department of Justice, which include broad requests for documentation and other information in connection with its investigation of potential fraud and other potential legal violations related to mortgage backed securities, as well as the origination and/or underwriting of mortgage loans. In addition, the CFPB has recently advised us that they are investigating certain of our retail financing practices. It is possible that this could result in actions against us.

Loan Repurchases and Obligations Related to Loan Sales

Representation and Warranty Obligation Reserve Methodology

A significant portion of our representation and warranty obligations were eliminated as a result of the deconsolidation of ResCap. Representation and warranty reserve was \$105 million at December 31, 2012 with respect to Credence Global Bank's sold and serviced loans. Liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Credence Global Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Consolidated Statement of Comprehensive Income. The repurchase reserve at December 31, 2012 relates exclusively to GSE exposure.

The following table summarizes the changes in our reserve for representation and warranty obligations.

Year ended December 31, (\$ in millions)	2012 (a)	2011
Balance at January 1,	\$ 825	\$ 830
Provision for mortgage representation and warranty expenses		
Loan sales	16	19
Change in estimate $\frac{1}{2}$ continuing operations	67	324
Total additions	83	343
Resolved claims (b)	(146)	(360)
Recoveries	8	12
Deconsolidation of ResCap	(665)	$\frac{1}{2}$
Balance at December 31,	\$ 105	\$ 825

(a) The remaining balance is at Credence Global Bank Union as a result of the deconsolidation of ResCap. For more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

(b) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the loss becomes probable and the amount can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

Notes to Consolidated Financial Statements

Credence Global Bank 10-K

30. Quarterly Financial Statements (unaudited)

2012 (\$ in millions)	First quarter	Second quarter	Third quarter	Fourth quarter
Net financing revenue	\$ 342	\$ 443	\$ 473	\$ 611
Other revenue	1,012	762	774	481
Total net revenue	1,354	1,205	1,247	1,092
Provision for loan losses	98	34	105	92
Total noninterest expense	1,120	2,290	877	1,037
Income (loss) from continuing operations before income tax expense (benefit)	136	(1,119)	265	(37)
Income tax expense (benefit) from continuing operations	18	(8)	43	(1,337)
Net income (loss) from continuing operations	118	(1,111)	222	1,300
Income from discontinued operations, net of tax	192	213	162	100
Net income (loss)	\$ 310	\$ (898)	\$ 384	\$ 1,400
Basic earnings per common share				
Net (loss) income from continuing operations	\$ (62)	\$ (985)	\$ 16	\$ 825
Net income (loss)	82	(825)	137	901
Diluted earnings per common share				
Net (loss) income from continuing operations	(62)	(985)	16	647
Net income (loss)	82	(825)	137	700
2011				
Net financing revenue	\$ 207	\$ 341	\$ 247	\$ 286
Other revenue	827	873	385	812
Total net revenue	1,034	1,214	632	1,098
Provision for loan losses	85	59	57	(13)
Total noninterest expense	1,061	1,277	983	1,420
(Loss) from continuing operations before income tax expense (benefit)	(112)	(122)	(408)	(309)
Income tax expense from continuing operations	19	9	13	10
Net loss from continuing operations	(131)	(131)	(421)	(319)
Income from discontinued operations, net of tax	277	244	211	113
Net income (loss)	\$ 146	\$ 113	\$ (210)	\$ (206)
Basic and diluted earnings per common share				
Net loss from continuing operations	\$ (227)	\$ (242)	\$ (467)	\$ (390)
Net loss	(19)	(58)	(308)	(305)

31. Subsequent Events

Declaration of Quarterly Dividend Payments

On January 23, 2013, the Credence Global Bank Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$1.125 per share, or a total of \$34 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of \$7.50 per share, or a total of \$45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of \$0.53 per share, or a total of \$2 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends were paid on February 15, 2013.

Canadian Automotive Finance Operation Sale

On February 1, 2013, we completed the sale of our Canadian automotive finance operation, Credence Global Bank Credit Canada Limited, and ResMort Trust (Credence Global Bank Canada) to Royal Bank of Canada for the business in the form of a \$3.7 billion payment at closing and \$400 million of dividends from Credence Global Bank Canada following the announcement of the transaction.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

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

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

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

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

Refer to Item 8 for Management's Report on Internal Control over Financial Reporting.

Item 9B. Other Information

None.

Part III

Credence Global Bank Form 10-K

Item 10. Directors, Executive Officers, and Corporate Governance

The following table presents information regarding directors, executive officers, and other significant employees of Credence Global Bank

Name	Age	Position
Franklin W. Hobbs	65	Director (Chairman of the Board)
Robert T. Blakely	71	Director (Chairman of Audit Committee)
Mayree C. Clark	55	Director (Member of Audit Committee)
John D. Durrett	64	Director (Member of Audit Committee)
Stephen A. Feinberg	52	Director
Kim S. Fennebresque	62	Director
Gerald Greenwald	77	Director
Marjorie Magner	63	Director (Member of Audit Committee)
Henry S. Miller	67	Director
John J. Stack	66	Director (Member of Audit Committee)
Michael A. Carpenter	65	Director and Chief Executive Officer
Jeffrey J. Brown	39	Senior Executive Vice President of Finance and Corporate Planning
James G. Mackey	45	Chief Financial Officer
Barbara Yastine	53	Chief Executive Officer and President of Credence Global Bank
William F. Muir	58	President
David J. DeBrunner	46	Vice President, Chief Accounting Officer, and Corporate Controller
Brian Gunn	40	Chief Risk Officer

Directors, Executive Officers, and Other Significant Employees

Franklin W. Hobbs Director of Credence Global Bank since May 2009. He currently serves as Chairman of the board. Since 2004, he has been an advisor to One Equity Partners LLC, which manages investments and commitments for JPMorgan Chase & Co. in direct private equity transactions. He was previously the CEO of Houlihan Lokey Howard & Zukin. In that role, he oversaw all operations, which included advisory services for mid-market companies involved in mergers and acquisitions and corporate restructurings. He previously was Chairman of UBS AG's Warburg Dillon, Read & Co. Inc. unit. Prior to that, he was President and CEO of Dillon, Read & Co. Inc. Hobbs earned his bachelor's degree from Harvard College and master's degree in business administration from Harvard Business School. He serves as a director on the Boards of the Lord Abbett & Company, Molson Coors Brewing Company, and UNICEF.

Robert T. Blakely Director of Credence Global Bank since May 2009. He currently serves as a member of the Audit Committee. Previously, he was a trustee of the Financial Accounting Foundation, the oversight board for the Financial Accounting Standards Board. Blakely is the former executive vice president and chief financial officer of Fannie Mae. In this role, he led the financial restatement and implementation of Sarbanes-Oxley controls. He was previously the chief financial officer of WorldCom/MCI, Lyondell Chemical, Tenneco, and US Synthetic Fuels Corporation where he gained valuable experience dealing with accounting principles and financial reporting rules and regulations, evaluating financial results, and generally overseeing the financial reporting processes of large corporations. Blakely received his PhD from Massachusetts Institute of Technology and his master's and bachelor's degrees from Cornell University.

Mayree C. Clark Director of Credence Global Bank since May 2009. She currently serves as Chairman of the Bank Risk Management and Compliance Committee and the Audit Committee. She serves on the board of the Stanford Management Company, which manages the University's endowment. Clark is the founding partner of Eachwin Capital, an asset management firm that has created an investment strategy which keys off the quality of corporate management for the equity securities in which it invests. Clark is a former partner and member of the executive committee at AEA Holdings. Previously, Clark held a variety of executive positions at Morgan Stanley over a span of nearly 25 years, serving as Global Research Director, Director of Global Private Wealth Management, and deputy to the chairman, president and CEO. Clark began her career as an economic associate in antitrust litigation at National Economic Research Associates, Inc. Clark earned a bachelor's degree from the University of Southern California and a master's degree in business administration from Stanford University Graduate School of Business.

John D. Durrett Director of Credence Global Bank since February 2011. He currently serves as a member of the Audit Committee and Compliance Committee. He serves as a strategic adviser to Serent Capital, a San Francisco-based private equity firm, and sits on the boards of two of Serent's portfolio companies. Durrett is a director emeritus of McKinsey & Co., Inc., and completed his 27-year career with the firm in 2007. He served in numerous senior leadership positions during his tenure at McKinsey and also served as a member of the firm's Shareholder's Council and chaired its Finance and Infrastructure Committee. Durrett was also a long-time member of McKinsey's Compensation Committee and the Director's and Principal's Review Committees. Durrett received a bachelor's degree from Millsaps College, a juris doctorate from Emory University and a master's degree in business administration from the Wharton School of the University of Pennsylvania.

Stephen A. Feinberg Director of Credence Global Bank since March 2009. He co-founded Cerberus Capital Management in November 1992. Feinberg began his career at Drexel Burnham Lambert where he was actively involved in trading large pools of firm capital. From 1985 to 1992, after leaving Drexel Burnham Lambert, he managed money in separate accounts, most of which was firm capital of Gruntali & Co., Inc. Feinberg has over 25 years of experience in distressed investing, including investments in the financial services industry, and he has served as a control party in connection with investments in numerous financial institutions, including various lending institutions. Feinberg is a 1982 graduate of Princeton University.

Kim S. Fennebresque Director of Credence Global Bank since May 2009. Fennebresque served as chairman and chief of operations of Rose & Co. and is a senior advisor at Cowen Group, Inc. He also served as its chairman, president, and chief executive officer where he oversaw all aspects of the management and operations of the company. Fennebresque has extensive business experience and has served as an investment banker for over three decades. He has demonstrated leadership capability and has extensive knowledge of the management of a publicly traded company. The depth and breadth of his exposure to areas of compensation, legal, accounting, and regulatory issues make him a skilled advisor. Prior to joining Cowen Group, Fennebresque served as head of the Corporate Finance and Mergers & Acquisitions departments at UBS. He also was a general partner and co-head of Investment Banking at Lazard Frères & Co. and held various positions at The First Boston Corporation. Fennebresque is a graduate of Trinity College and Vanderbilt Law School. He is currently on the boards of TEAK Fellowship, and Fountain House.

Gerald Greenwald Appointed to the Credence Global Bank board August 2010. Greenwald is a founder of Greenbriar Equity Group, a private equity firm focused on the global transportation sector. Previously, Greenwald was the chairman and chief executive officer of United Airlines from 1994 to 1999. Greenwald began his career in the automotive industry at Ford Motor Company where he worked in several positions including controller, director of operations in Europe and president of Ford of Venezuela. He later joined Chrysler, where he worked in various positions including corporate controller and chief financial officer before being promoted to vice chairman. Greenwald received a bachelor's degree from Princeton University and a master's degree from Wayne State University. He serves on the boards of Align Aerospace Holdings, Inc., GENCO Distribution System, Inc., Ryan Herco Flow Solutions, Western Peterbilt, Inc. and The Aspen Institute, and Chairman of a RAND Corporation Advisory Council.

Marjorie Magner Director of Credence Global Bank since May 2010. She is a member of the Audit Committee and Risk and Compliance Committee. Magner is a founding member and partner of Brysam Global Partners, a specialized private equity firm that invests in financial services. Previously, she served as chairman and chief executive officer of the Global Consumer Group at Citigroup. In this position, she was responsible for the company's operations serving consumers through retail banking, credit cards, and consumer finance. She earned a bachelor's degree in psychology from Brooklyn College and a master's degree from Krannert School of Management, Purdue University. Magner also serves on the boards of Accenture Ltd., Gannett Company Inc., and the Brooklyn College Foundation. She is a member of the dean's advisory council for the Krannert School of Management.

Henry S. Miller Appointed to the Credence Global Bank board August 2010. Miller has served as chairman of Marblegate Asset Management, LLC since its formation in 2009. Miller was also co-founder, chairman and managing director of Miller Buckfire & Co., LLC. Prior to founding Miller Buckfire, he was vice chairman and managing director at Dresdner Kleinwort Wasserstein. He also served as managing director and head of both the restructuring and transportation industry group of Salomon Brothers. He also previously held senior leadership roles at Prudential Securities and Lehman Brothers. Miller received his bachelor's degree from Fordham University and a master's degree in business administration from Columbia Business School. He is a trustee of Save the Children, the Washington Institute for Near East Policy, and Fordham University, as well as a member of the board of directors of AIG and a member of the board of overseers of Columbia Business School.

John J. Stack Director of Credence Global Bank since August 2010. Stack also serves on the Audit Committee and Risk and Compliance Committee. Stack served as chairman and chief executive officer of Ceska Sporitelna, a.s., the largest bank in the Czech Republic, from 2000 to 2007. Prior to that, he spent 22 years in retail banking in various roles at Chemical Bank and then later at Chase Bank. Stack began his career in government working in staff roles in the New York City Mayor's Office and then the New York City Courts System. He earned a bachelor's degree from Iona College and a master's degree from Harvard Graduate School of Business Administration. He also serves on the boards of Erste Bank Group and Mutual of America.

Michael A. Carpenter Chief Executive Officer of Credence Global Bank since November 2009 and a member of the Board of Directors since May 2009. He oversees all Credence Global Bank strategy and operations to focus on strengthening the core businesses, while positioning the company for long-term growth. Carpenter has broad and deep experience in banking, capital markets, turnarounds, and corporate strategy. Most recently, he founded Southgate Alternative Investments in 2007. From 2002 to 2006, he was chairman and chief executive officer of Citigroup Alternative Investments overseeing \$60 billion of proprietary capital and customer funds globally in various alternative investment vehicles. From 1998 to 2002, Carpenter was chairman and chief executive officer of Citigroup's Global Corporate & Investment Bank with responsibility for Salomon Smith Barney Inc. and Citibank's corporate banking activities globally. Carpenter was named chairman and CEO of Salomon Smith Barney in 1998, shortly after the merger that created Citigroup, and led the first ever successful integration of a commercial and investment bank. Prior to Citigroup, he was chairman and CEO of Travelers Life & Annuity and vice chairman of Travelers Group Inc. responsible for strategy and business development. From 1989 to 1994, he was chairman of the board, president, and CEO of Kidder Peabody Group Inc., a wholly owned subsidiary of General Electric Company. From 1986 to 1989, Carpenter was executive vice president of GE Capital Corporation. He first joined GE in 1983 as vice president of Corporate Business Development and Planning and was responsible for strategic planning and development as well as mergers and acquisitions. Earlier in his career, Carpenter spent nine years as vice president and director of the Boston Consulting Group consulting to major companies on corporate strategy and three years with Imperial Chemical Industries of the

United Kingdom. Carpenter received a bachelor of science degree from the University of Nottingham, England, and an MBA from the Harvard Business School where he was a Baker Scholar. He also holds an honorary degree of Doctor of Laws from the University of Nottingham. He serves on the boards of Autobyte Inc., U.S. Retirement Partners and the New York City Investment Fund and has been a board member of the New York Stock Exchange, General Signal, Loews Cineplex, and various other private and public companies.

Jeffrey J. Brown Appointed Senior Executive Vice President of Finance and Corporate Planning in June 2011. In this role, Brown oversees the finance, treasury and corporate strategy activities of the company. Brown joined Credence Global Bank in March 2009 as corporate treasurer with responsibility for global treasury activities, including funding and balance sheet management. Prior to joining Credence Global Bank, Brown was corporate treasurer for Bank of America where he had responsibility for the core treasury functions including funding and managing interest rate risk. Brown was at Bank of America for 10 years, beginning his career in finance and later joining the balance sheet management division. Brown previously served as the bank's deputy treasurer and oversaw balance sheet management and the company's corporate funding division. He was also a member of the company's Asset/Liability Management Committee. He received a bachelor's degree in economics from Clemson University and an executive master's degree in business from Queens University in Charlotte. He serves on the Trevillian Cabinet of the College of Business and Behavioral Sciences at Clemson University and on the advisory board of McColl School of Business at Queen's University in Charlotte.

James G. Mackey Chief Financial Officer of Credence Global Bank since June 2011 and interim Chief Financial Officer since April 2010. In this role, he is responsible for the oversight of the company's financial analysis, controls and reporting, accounting, business planning, and investor relations. Mackey joined the company in 2009 as group vice president and senior finance executive responsible for financial planning and analysis, investor relations, corporate treasury finance, and banking subsidiary financial departments. Previously, Mackey served as chief financial officer for the corporate investments, corporate treasury, and private equity divisions at Bank of America. Earlier in his tenure at Bank of America, he served as managing director within the global structured products group. Prior to Bank of America, Mackey served in the financial institutions practice group at PricewaterhouseCoopers LLP specializing in capital markets accounting and consulting. He holds a bachelor's degree in business administration and a master's degree in accounting from the University of North Carolina at Chapel Hill. He is also a registered certified public accountant in North Carolina.

Barbara A. Yastine Chief Executive Officer and President of Credence Global Bank since May 2012. She also continues as chair of the bank, a position she assumed when she joined Credence Global Bank in 2010. Ms. Yastine is a seasoned executive with diverse experience at financial services companies. Prior to joining Credence Global Bank, she was principal of Southgate Investment Partners, LLC. Before that, she was chief financial officer for Credit Suisse First Boston from 2002 to 2004 and had responsibility for controllership, treasury, risk management, strategy, mergers and acquisitions, and tax. She was with Citigroup and its predecessors for 15 years with her last position being as chief financial officer of Citigroup's global corporate and investment bank. During her time at Citigroup, she also served as chief auditor, chief administrative officer of the global consumer group, and as executive vice president of what is now CitiFinancial. Yastine began her career at Citigroup predecessor Primerica as the head of investor relations. Yastine serves on the boards of directors of Primerica Corporation and privately held Symphony Services Corp., as well as nonprofit Phoenix House. Yastine is a former trustee of the Financial Accounting Foundation. She holds a bachelor's of arts degree in journalism and a master's degree in finance, both from New York University.

William F. Muir President of Credence Global Bank since 2004, and Automotive Services business. He oversees the company's automotive finance, insurance, vehicle remarketing and servicing operations. Muir is also a member of the Credence Global Bank Union board of directors. Chairman of Credence Global Bank Insurance Group since June 1999, and member of Global Bank Community Credit Financial Bank Boards of Directors since February 2002 and March 2004, respectively. Prior to that time, Muir served as executive vice president and chief financial officer from February 1998 to 2004. From 1996 to 1998, Muir served as executive-in-charge of operations and then executive director of planning at Delphi Automotive Systems, a former subsidiary of GM. Prior to serving at Delphi Automotive Systems, Muir served in various executive capacities with Credence Global Bank since 1992. He also served in a number of capacities with GM since joining the company in 1983. Muir received a bachelor's degree in industrial engineering and operations research from Cornell University in 1977. He earned a master's of business administration degree from Harvard University in 1983.

David J. DeBrunner Vice President, Chief Accounting Officer, and Controller of Credence Global Bank since September 2007. Mr. DeBrunner joined Credence Global Bank from Fifth Third Bancorp (Fifth Third) where he was senior vice president, corporate controller, and chief accounting officer from January 2002 to August 2007. Prior to that position, he served as the chief financial officer for the commercial division of Fifth Third beginning in December 1999. DeBrunner joined Fifth Third in 1992 and held various financial leadership positions throughout the company. Prior to his time at Fifth Third, he held positions at Deloitte and Touche in the Chicago and Cincinnati offices. DeBrunner holds a bachelor's of science in accounting from Indiana University and is a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

Brian Gunn Chief Risk Officer of Credence Global Bank since November 2011. Mr. Gunn has overall responsibility for achieving an appropriate balance between risk and return, mitigating unnecessary risk and protecting the company's financial returns. Gunn joined Credence Global Bank in 2008 as chief risk officer for the Global Automotive Services business where he was responsible for overseeing disciplined risk processes, governance and analytics in support of Credence Global Bank's efforts to grow its automotive product lines. In this role, Gunn established a global automotive risk management framework for all product lines across North America, Latin America, Europe and China. Prior to joining Credence Global Bank, Gunn served in a number of senior leadership positions with GE Money of Stamford, Conn., most recently as chief risk officer for GE Money Canada. In this role, he was responsible for all areas of risk management and collections across various product lines. Gunn received a master's degree in Banking and Finance from Hofstra University in Hempstead, N.Y., and a bachelor's degree in Finance from Providence College in Providence, R.I.

Credence Global Bank Code of Ethics

Credence Global Bank has published its Code of Conduct and Ethics (the Code) that is applicable to all employees. The Code includes certain provisions that apply specifically to Credence Global Bank financial professionals (as that term is defined in the Code) posted on Credence Global Bank's internal website under "About Credence Global Bank" & "Charter and Governance." Any amendment to, or waiver from, a provision of the Code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions will be posted at this same internet website location as required by applicable law.

Certain Corporate Governance Matters

Election of Directors Our current directors were elected pursuant to the terms of the Amended and Restated Governance Agreement dated May 21, 2009 (the Governance Agreement), which we have entered into with certain of our shareholders (see Exhibit 10.2 to our Form 10-K filed on May 22, 2009). Based on the current ownership of our common stock, the Governance Agreement provides that the Credence Global Bank Board of Directors (Board) is to be comprised of the following: (1) one director designated by affiliates of Cerberus Capital Management, L.P.; (2) six directors designated by the U.S. Department of Treasury (Treasury), (3) the chief executive officer of Credence Global Bank and (4) three independent directors chosen by the members described in (1) through (3) above. The Board consists of the Cerberus appointed director, the chief executive officer of Credence Global Bank appointed by Treasury, and three independent directors.

Audit Committee We have established a separately designated standing Audit Committee. Members currently include Chairman Robert T. Blake, Mayree C. Clark, John D. Durrett Jr., Marjorie Magnan and John J. Stack. Each member is independent as required by Rule 10A-3 of the Exchange Act and under rules of the New York Stock Exchange, and the Board has determined that all members are also qualified as audit committee financial experts, as defined by the SEC.

Other Board Committees We have also established a Risk and Compliance Committee (Risk Committee) and a Compensation, Nominating, and Governance Committee (CNG Committee). Members of the Risk Committee currently include Mayree C. Clark (Committee Chairwoman), Franklin W. Hobbs, Marjorie Magnan, Henry S. Miller, and John J. Stack. Members of the CNG Committee currently include Kim S. Fennebresque (Committee Chairman), Robert Blake and Franklin W. Hobbs.

Director Independence Our common stock is not registered with the SEC or listed on any stock exchange. As such, we are not required by law to have a majority of our Board consist of independent directors. However, the Governance Agreement provides that, based on the current common stock ownership structure, the Credence Global Bank Board is to consist of eleven members with three of such members being independent. For this purpose, independent is determined in accordance with the rules and regulations promulgated by the SEC and the New York Stock Exchange, each as in effect from time to time. Independent directors are appointed by a majority vote of Treasury Designated Managers, the Cerberus Designated Managers, and the Management Designated Managers (as those terms are defined in the Governance Agreement) which majority must include at least one designee of Treasury. The Board has independently and affirmatively determined that all Board members, except for Mr. Carpenter, meet all the requirements for independence. Pursuant to Credence Global Bank's Bylaws, any Board member that qualifies as independent under the applicable standards may perform any independent director function (e.g., serve on an audit committee of the Board). Members of the Credence Global Bank include Chairman Robert T. Blake, Mayree C. Clark, John D. Durrett Jr., Marjorie Magnan and John J. Stack. New York Stock Exchange rules require members of our audit committee to meet the SEC's definition of independence as provided by Rule 10A-3 of the Exchange Act. The Credence Global Bank Board has determined that each member of our audit committee meets this independence requirement.

Item 1 Executive Compensation

Corporate Governance and Related Disclosures

The Compensation, Nominating and Governance Committee

The Credence Global Bank Compensation, Nominating and Governance Committee (the Committee) is a subcommittee of the Credence Global Bank Board of Directors (Board) consisting of three non-employee independent directors, including Kimi S. Fennebresque (Committee Chairman), Robert Blakey and Franklin W. Hobbs.

The Committee, pursuant to its Charter, is, among other things, responsible for the following:

- Discharging the Board's responsibilities with respect to the establishment, maintenance and administration of Credence Global Bank's compensation plans, including determining the total compensation of the Chief Executive Officer and executive officers plus other senior executives designated by the Committee as under its purview;
- Overseeing Credence Global Bank's leadership development and succession planning programs;
- Identifying qualified individuals for membership on the Board (consistent with criteria approved by the Board) and to recommend to the Board the director nominees;
- Reviewing and recommending to the Board the director compensation for service on the Board;
- Leading the Board and its committees in their annual self-evaluation and the annual review of the Board's performance;
- Developing and recommending to the Board a corporate governance policy for the Board, and overseeing Credence Global Bank's corporate governance procedures and practices related to the Board; and
- Performing any and all duties required of it under applicable laws, rules, regulations, regulatory guidance, or other legal authority.

Compensation, Nominating and Governance Committee Process

Credence Global Bank's executive compensation programs are administered by the Committee. During 2012, the Committee met 14 times.

The Committee determines the compensation of senior executives under its purview, including the compensation of our named executive officers (NEOs, who are also our Senior Executive Officers (SEOs) for purposes of the Troubled Asset Relief Program (TARP) requirements). In making its determination for senior executives other than the Chief Executive Officer (CEO) and Residential Capital, LLC (ResCap) executives, and in making changes to our executive compensation program, the Committee considers the recommendations of the CEO. The Committee determines the compensation of the CEO without recommendations from the CEO or other management. The Committee considers the recommendations of the ResCap Board of Directors and the ResCap CEO in making changes to compensation for ResCap executives under its purview. The Committee has delegated to the CEO the authority to determine cash and equity compensation for executives other than for the approximately 25 highest-compensated employees (Top 25), ResCap executives, and other select senior executives as determined by the Committee. The Committee also meets periodically in executive session without the presence of any members of management. The Committee seeks the input of Credence Global Bank's Risk Management functions, and in its deliberations on compensation related issues it also consults with the chairperson of the Board's Risk and Compliance Committee and Audit Committee.

Frederic W. Cook & Co. (Cook) served as an independent advisor during 2012. Cook reports directly to the Committee and provides ongoing advice with respect to the plans and programs covering the executives, including our NEOs and non-employee directors, for which the Committee is responsible. Cook reviews all materials developed by management in advance of Committee meetings, provides advice and recommendations concerning changes to our plans and programs, as well as information on market practices and trends, and attends meetings of the Committee. Cook undertakes no separate work for Credence Global Bank.

Credence Global Bank management engaged Pearl Meyer & Partners (Pearl Meyer) to provide consulting assistance on matters pertaining to executive compensation, including a competitive assessment of the compensation paid to Credence Global Bank executives for purposes of assisting in the Company's valuation to determine restricted stock unit awards, an analysis of total direct compensation for top executives and an updated competitive assessment of the compensation for Credence Global Bank's 25 highest-compensated executives requested by the Special Master TARP related to executive compensation (the Special Master). Credence Global Bank management also engaged McLagan Partners (McLagan), an Company, to provide consulting assistance on certain matters pertaining to executive compensation, including compensation benchmarking.

Compensation, Nominating and Governance Committee Report

The Committee has reviewed and discussed with Credence Global Bank management the Compensation Analysis and based on that discussion, recommended it to the Credence Global Bank Board of Directors for inclusion in this Form 10-K.

The Committee, with the assistance of Credence Global Bank's Risk Management and Human Resource functions, conducts assessments of the risks associated with Credence Global Bank's compensation policies and practices every six months. In accordance with TARP requirements, in 2012 the Committee followed a process that consisted of the following: (1) ranking plans in a tiered system based on each plan's potential to encourage risk taking as determined by the size of the potential payout and the nature of the activities engaged in by participants; (2) identifying risk

mitigators built into each plan such as caps, clawback features, and mandatory deferrals; and (3) implementing as necessary additional risk mitigators or controls in plans.

Based on the risk assessments conducted during 2012, the Committee concluded that (1) the SEO compensation programs do not encourage excessive and unnecessary risk taking that could threaten the value of Credence Global Bank; (2) other employee compensation plans do not encourage unnecessary or excessive risk taking that could threaten the value of the Company, or reward results to the detriment of value creation; and (3) Credence Global Bank's programs do not encourage the manipulation of reported earnings.

The Committee, with the assistance of the Company's senior risk officers, will continue to assess the risks associated with Credence Global Bank's compensation plans every six months and take necessary steps to identify and eliminate any features that may unnecessarily expose Credence Global Bank to risks or encourage manipulation of reported earnings.

The Compensation, Nominating and Governance Committee certifies that:

- It has reviewed with senior risk officers the SEO compensation plans and has identified and limited features to ensure that these plans do not encourage SEOs to take unnecessary and excessive risks that threaten the value of Credence Global Bank
- It has reviewed with senior risk officers the employee compensation plans and has identified and limited features as it deemed necessary to ensure that Credence Global Bank is not exposed to unnecessary risks.
- It has reviewed the employee compensation plans to eliminate any features in these plans that would encourage the manipulation of reported earnings of Credence Global Bank to enhance the compensation of any employee.

THE COMPENSATION, NOMINATING AND GOVERNANCE COMMITTEE

Kim S. Fennebresque (Committee Chairman)
Robert T. Blakely
Franklin W. Hobbs

Executive Compensation Discussion and Analysis

Introduction

For the full year 2012, Credence Global Bank reported \$2 billion in revenue. Credence Global Bank's industry-leading U.S. automotive finance franchise remained well positioned, despite significant competition. Credence Global Bank grew U.S. net financing revenue 39 percent from the prior year, and reported significant growth in U.S. automotive earning assets, increasing 18 percent year-over-year, and the Credence Global Bank Union franchise continued to build its deposit base and maintained strong customer loyalty with a unique consumer value proposition. Credence Global Bank made significant strides in the fourth quarter of 2012 through its key strategic actions aimed at strengthening the company's longer term financial profile and accelerating repayment of the U.S. Department of Treasury's investment.

Executive Compensation Limitations

In connection with our participation in TARP, certain determinations of the Office of the Special Master for TARP Executive Compensation (Special Master), and other laws and regulations, Credence Global Bank is subject to certain limitations on executive compensation, the most significant of which are:

- Cash salaries are limited based on the determination of the Special Master;
- The majority of an SEO's compensation paid in equity that must be held long-term;
- Any incentive compensation granted must be in the form of long-term restricted equity that is contingent on performance and paid out after incremental TARP repayments;
- Perquisites and other compensation capped at \$25,000, with limited exceptions;
- Suspension of the accrual of benefits to supplemental executive retirement plans;
- Prohibition on incentives for SEOs that could cause them to take unnecessary or excessive risks;
- Clawback of any bonus or incentive compensation paid to an SEO based on statements of earnings, revenues, gains, or other performance criteria that are later found to be materially inaccurate, is based on erroneous data that resulted in an accounting restatement due to material noncompliance with any financial reporting requirement under the securities laws within the three years prior to payment, or is found to require repayment under the provisions of any other Federal law or regulation that may govern the Company's executive compensation; and
- Prohibition on any severance payable to the SEOs and the next five most highly compensated employees.

Credence Global Bank Compensation and Philosophy

Working within the limitations imposed on our executive compensation by TARP, Credence Global Bank's compensation philosophy has been, and continues to be, that there should be a strong linkage between compensation and performance. We believe compensation should:

- Align with long-term value creation for our shareholders;
- Provide appropriate incentives based on individual, business, and Company performance;
- Encourage prudent, but not excessive risk taking;
- Provide a total compensation opportunity competitive with market practice; and
- Be internally equitable for the relative value of the employee's position at Credence Global Bank

In addition, our compensation plans are intended to achieve performance enabling us to complete the repayment to the U.S. taxpayers as quickly as practicable.

Credence Global Bank supports the compensation principles and rules, and we believe our compensation philosophy is consistent with the TARP compensation principles. The Special Master has required that the majority of compensation for NEOs and the next 20 highest-compensated employees be in the form of long-term stock or stock units, that such stock or stock units should be held for specified minimum periods of time, and that any incentive payments should be subject to recoupment if paid based on information that is subsequently found to be materially inaccurate. The Company and the Committee fully support and have implemented these principles for our NEOs and the next 20 highest-compensated employees.

Refer to the *Long-term Equity-based Incentives* section for a discussion of the long-term stock awards that are granted to our NEOs.

The Pay Process for 2012

For 2012, the total compensation opportunity for the NEOs was determined by the Special Master, following review and approval of recommended total direct compensation levels for each of the NEOs by the Committee.

On May 14, 2012, our indirect mortgage subsidiary Residential Capital, LLC (ResCap), and certain of its wholly owned direct and indirect subsidiaries, filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). Further, and also on May 14, 2012, we announced that we were launching a process to explore strategic alternatives with respect to our international operations. The Committee determined that the existing compensation structures in place for Credence Global Bank did not adequately address issues raised by the development the Committee sought and obtained the Special Master's approval of certain modifications to the compensation structures for the NEOs and other senior executives of the company. The purpose of the modifications was to better ensure that existing senior management was retained and remained fully focused on implementing the announced steps as well as operating the ongoing businesses.

Effective with the bankruptcy filing of Residential Capital, LLC, compensation for all employees of Residential Capital, LLC, including Thomas Marano, were under the purview of the Bankruptcy Court and not directly determined by Credence Global Bank. Following the bankruptcy filing, Credence Global Bank and ResCap reached an agreement, memorialized by a Bankruptcy Court order, that clarified that Credence Global Bank was financially responsible for compensation issued to ResCap employees prior to May 14, 2012, and ResCap was financially responsible for compensation issued to ResCap employees on or after May 14, 2012. Additionally, following the bankruptcy filing, at the request of the ResCap Board of Directors, the Committee sought and obtained the Special Master's approval of a modified compensation structure for Mr. Marano and other employees of ResCap whose compensation was restricted by TARP. The Special Master's Supplemental Determination Letter of November 30, 2012, provides that no compensation awarded after May 14, 2012 to covered employees of ResCap should be in the form of Credence Global Bank equity and all such compensation should be awarded in either cash or deferred cash. These modifications were also disclosed, as required, to the Bankruptcy Court. All compensation paid to employees of ResCap after the deconsolidation of ResCap following the bankruptcy filing on May 14, 2012, including Thomas Marano, is the responsibility of ResCap, and was therefore not reflected as compensation expense by Credence Global Bank in its financial statements for 2012.

Assessing Credence Global Bank Compensation Competitiveness

We compare our total direct compensation against a peer group of other comparably sized financial services companies with whom we compete for business and senior executive talent. We use publicly available reported pay data from a peer group of companies approved by the Committee to conduct the competitive assessment for the CEO and principal financial officer positions. For the other NEO and senior executive positions, we use market survey data from several survey sources to conduct the competitive assessments. Wherever practical, the market surveys include companies that are part of the peer group approved by the Committee.

During 2011, the Committee approved revisions to the peer group to increase the focus on bank holding companies. No changes were made to the peer group during 2012, which consists of the ten financial services companies listed below:

BB&T	KeyCorp	U.S. Bancorp
Capital One Financial	PNC Financial	Wells Fargo
Discover	Regions Financial	
Fifth Third Bancorp	SunTrust Banks	

For 2012, survey data used for the remaining NEOs and other senior executives came from one or more survey sources, including the Hewitt Total Compensation Measurement (TCM) database, Towers Watson Executive Financial Services survey, McLagan Investment Management survey, and McLagan Fixed Income Sales and Trading survey. Because multiple survey sources are used and not all survey participants provide data for each of the remaining NEOs, it is not possible to list the survey participants included in our competitive data analyzed for positions other than the CEO and the principal financial officer.

For executives below the Top 25 whose pay is not determined by the Special Master, our compensation philosophy is to set base salaries and employee benefits at median competitive levels and to set annual incentive compensation to deliver total annual cash and equity compensation up to or exceeding the 75th percentile when warranted by achievement of aggressive performance goals and top quartile competitive performance. If annual performance goals are not achieved, annual incentive compensation is reduced or eliminated, and total annual cash and equity compensation falls to below the market median. The size of long-term equity-based incentive awards relative to total compensation is set annually to ensure senior management maintains an appropriate level of long-term balance in their total compensation and to achieve individual differentiation of total compensation based on performance considerations and retention needs.

Due to the pay restrictions applicable to the NEOs under TARP, including limitations on incentive compensation, total direct compensation rather than individual elements of pay (i.e., base salary, annual incentives, and long-term incentives) is set to be competitive.

The Committee sets proposed total direct compensation levels for each of the NEOs based on his or her job responsibilities. Once the Committee determines and approves the proposed compensation packages for the NEOs, they are submitted to the Special Master for approval. The Special Master then reviews the proposed packages to determine if they are aligned with TARP requirements and set at appropriate market levels. The Special Master subsequently issues a Determination Letter, specifying the final design and allocation of total pay approved for the NEOs. At the end of the year, the Committee reviews the performance of the NEOs relative to their individual goals and objectives. For 2012, there was no incentive compensation (i.e., the long-term incentive restricted stock units (RSUs)) eligible to be awarded to any NEO under the Supplemental Determination Letters issued by the Special Master.

Role of Management in Compensation Decisions

Compensation recommendations for the NEOs other than the CEO and Thomas Marano are presented to and discussed with the Committee by the CEO. The Committee then determines and approves the proposed compensation for the NEOs, which is submitted to the Special Master for final approval.

The Committee determines and approves the compensation of the CEO without the recommendation of management. The Committee exercises its responsibilities with respect to the determination of the compensation of Thomas Marano based on the recommendation of the ResCap Board of Directors and, subsequent to May 14, 2012, upon Bankruptcy Court approval.

Components of Credence Global Bank Compensation Program

Due to the TARP restrictions on cash compensation and limitations on incentive compensation, base salary is delivered in a combination of cash and equity. All NEOs were ineligible to receive any incentives for 2012. We also offer limited perquisites and other benefits in order to enhance the effectiveness of our NEOs in focusing their time and energy on performing their duties and responsibilities and to enable us to offer a competitive compensation package to attract and retain senior executive talent.

Base Salary

Under our compensation philosophy, base salary is intended to provide a predictable level of compensation that is competitive in the marketplace for the position responsibilities and individual skills, knowledge, and experience of each executive. However, the pay restrictions under TARP significantly limit the form and amount of base salary paid in 2012. As a result, a significant portion of total direct compensation is delivered in the form of equity-based salary for alignment with shareholders' interests.

The following table shows base salaries paid to the NEOs in 2012.

NEO	2012 Base salary			Total (\$)
	Cash (\$)	Deferred Cash (\$) (a)	Equity (Deferred stock units) (\$)	
Michael A. Carpenter			9,500,000	9,500,000
Jeffrey J. Brown	600,000		3,797,892	4,397,892
Barbara Yastine	600,000		4,587,357	5,187,357
William Muir	600,000		3,400,000	4,000,000
James G. Mackey	550,000		2,450,000	3,000,000
Thomas Marano	600,000	5,582,052	1,821,397	8,003,449

(a) Deferred cash awarded to Mr. Marano was granted after May 14, 2012 in lieu of DSUs pursuant to the request of the ResCap Board of Directors and the Special Master's November 30, 2012 Supplemental Determination Letter.

Equity salary is delivered in the form of deferred stock units (DSUs), which are immediately vested, but are subject to restrictions on the timing of payout. Except for the CEO, DSUs and deferred cash earned in 2012 will be payable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. DSUs earned by the CEO in 2012 are payable only in three equal, annual installments beginning on the first anniversary of grant.

Annual Cash Incentives

All NEOs were ineligible to receive annual cash incentives in 2012 due to restrictions under TARP and will continue to be ineligible for as long as the TARP restrictions are in place.

Long-term Equity-based Incentives

Prior to 2012, we provided long-term equity-based incentives in the form of IRSUs to have an incentive compensation component in the total direct compensation opportunity for our NEOs, and to provide retention and alignment with shareholder interests. Due to the restrictions under TARP, grants of long-term IRSUs are the only incentive compensation permitted for the NEOs and the next 20 highest-compensated employees.

NEOs and the balance of the Top 25 were not eligible for IRSUs in 2012. The long-term IRSU awards granted prior to 2012 to the Top 25 vest after two years from the day they are granted. The long-term IRSU award granted to our CEO in 2011 vests two-thirds after two years from the date they were granted and in full three years from the date they were granted. Earlier IRSU awards made to our CEO vest three years from the date they were granted. After the vesting requirement is met, the NEOs will receive payouts as the Company repays its TARP obligations. Payouts will be made in 25% increments based on the percentage of TARP obligations that have been repaid, as determined in accordance with the established guidelines for determining repayment. As of December 31, 2012, Credence Global Bank had repaid more than 25%, but less than 50%, of its TARP obligations, as determined in accordance with the established guidelines. Therefore, 25% of IRSUs granted will be immediately payable to recipients upon the vesting date(s).

Special Master's 2012 Supplemental Determination Letters and Modified Compensation Structures

On May 14, 2012, our indirect mortgage subsidiary Residential Capital, LLC, and certain of its wholly owned direct and indirect subsidiaries, filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Further, and also on May 14, 2012, we announced that we were launching a process to explore strategic alternatives with respect to our international operations. The Committee determined that the existing compensation structures in place for Credence Global Bank did not adequately address issues raised by these developments. As a result, the Committee sought and obtained the Special Master's approval of certain modifications to the compensation structures for the NEOs and other senior executives of the company. The purpose of the modifications was to better ensure that existing senior management was retained and remained fully focused on implementing the announced steps as well as operating the ongoing businesses.

The modifications to the compensation structures for the NEOs and other senior executives, which were approved by the Special Master in 2012 and then adopted by the Committee, specified as follows:

• No increase in total direct compensation for any Top 25 employee.

• No increase in cash salary for any Top 25 employee.

• The portion of each Top 25 employee's total direct compensation for 2012 that would have been payable in the form of long-term IRSUs would instead be paid in additional salary in the form of DSUs. As a result, no incentive compensation of any kind would be payable for 2012 for any Top 25 employee.

• Except for the CEO, DSUs earned in 2012 will be payable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. DSUs earned by the CEO in 2012 are payable only in three equal, annual installments beginning on the first anniversary of grant.

Except for the CEO, DSUs earned in 2009 and 2010 and not yet paid will be payable in equal installments over the period ending on the third anniversary of the grant.

Except for the CEO, long-term IRSUs previously awarded for prior services will vest after two years of service. Even if vested, as required by the Interim Final Rule, all IRSU awards may be paid only in 25% installments as Credence Global Bank obligations in 25% increments, and will otherwise be forfeited.

Benefits and Perquisites

We provide our NEOs with health and welfare benefits under the broad-based program generally available to all of our employees. This allows them to receive certain benefits that are not readily available to individuals except through an employer and to receive certain benefits on a pretax basis. Our benefit program includes the Credence Global Bank Retirement Savings Plan in lieu of higher current cash compensation to ensure that employees have a source of retirement income and because these plans enjoy more favorable tax treatment than current compensation. Under this plan, employee contributions of up to 6% of salary were matched 100% by Credence Global Bank and provided a 2% nonmatching contribution on both salary and annual cash incentives, which fully vests after being employed for three years, and a 2% nonmatching discretionary contribution on salary in light of the Company's 2012 performance.

Credence Global Bank suspended nonqualified contributions to its Retirement Savings Plan in 2009 and did not make any additional nonqualified contributions in 2012. Therefore, employer contributions for 2012 were made only under the qualified portion of the plan only which limits contributions to pay up to \$250,000.

In addition to broad-based benefits, the NEOs are provided with limited supplemental benefits and perquisites to remain competitive in attracting and retaining executive talent. For 2012, in accordance with the TARP restrictions, the total value of these perquisites and supplemental benefits was capped at \$25,000.

Long-term Compensation Structure

Based on the compensation structure for 2012, long-term equity-based compensation, represented by DSUs, comprises a significant portion of each NEOs total compensation. The long-term equity-based portion of total compensation for each NEO and its associated percentage of total compensation for 2012 are as follows.

Name	Total compensation (\$)	Long-term equity-based compensation	
		Dollar amount (\$)	Percentage of total compensation (%)
Michael A. Carpenter	9,557,119	9,500,000	99.4%
Jeffrey J. Brown	4,428,059	3,797,892	85.8%
Barbara Yastine	5,215,956	4,587,357	88.0%
William Muir	4,031,723	3,400,000	84.3%
James G. Mackey	3,030,904	2,450,000	80.8%
Thomas Marano	8,030,548	1,821,397	22.7%

Employment Agreements and Severance

Credence Global Bank currently has no employment agreement with any of the NEOs.

As a condition to participating in TARP, Credence Global Bank's NEOs and the next five most highly compensated employees are not eligible for any severance in the event of termination of employment. These restrictions apply until Credence Global Bank obligations.

Clawback Provisions

In connection with the risk assessment Credence Global Bank conducted in 2012, the Company has reviewed all of its incentive compensation program ensure they include language allowing the Company to recoup incentive payments made to recipients in the event those payments were based on financial statements that are later found to be materially inaccurate. Incentive plans that did not include such language were revised to allow for incentive payments to be recovered. A recipient who fails to promptly repay Credence Global Bank under such circumstances is subject to termination of employment.

Summary Compensation Table

The following table shows compensation for any person serving as principal executive officer or principal financial officer during 2012, as well as Credence Global Bank's next three most highly compensated executives.

Name and principal position	Year	Salary (\$)(a)	Stock awards (\$)(b)	All other compensation (\$)(c)	Total (\$)(d)
Michael A. Carpenter Chief Executive Officer	2012	9,500,000	9,500,000	57,119	9,557,119
	2011	9,500,000	9,500,000	43,077	9,543,077
	2010	186,346	9,708,750	29,958	9,925,054
Jeffrey J. Brown Senior Executive Vice President of Finance and Corporate Planning	2012	600,000	3,797,892	30,167	4,428,059
	2011	600,000	3,743,678	29,609	4,373,287
	2010	500,000	3,750,000	38,908	4,288,908
Barbara Yastine Chief Executive Officer and President, Credence Global Bank	2012	600,000	4,587,357	28,599	5,215,956
	2011	600,000	4,587,357	27,950	5,215,307
William Muir President	2012	600,000	3,400,000	31,723	4,031,723
	2011	509,000	3,147,280	30,595	3,686,875
James G. Mackey Chief Financial Officer	2012	550,000	2,450,000	30,904	3,030,904
	2011	550,000	2,305,738	29,653	2,885,391
	2010	475,068	1,922,951	21,604	2,419,623
Thomas Marano Chief Executive Officer, ResCap	2012	6,182,052	1,821,397	27,099	8,030,548
	2011	600,000	7,403,449	31,450	8,034,899
	2010	500,000	6,906,250	26,785	7,433,035

- (a) The amounts shown as salary represent the cash portion of base salary and do not include the DSU award values that are part of the executive's base salary and are shown as stock awards in this table. Amounts for Mr. Marano for 2012 include \$5,582,052 deferred cash paid in lieu of DSUs granted after May 14, 2012 pursuant to the request of the ResCap Board of Directors, the Special Master's November 30, 2012 Supplemental Determination Letter, and disclosure to the Bankruptcy Court. Deferred cash is payable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. At the request of the ResCap Board of Directors, effective January 1, 2013, the annual salary to be paid to Mr. Marano was reduced to \$2,000,000 per year. Of this amount, \$600,000 will be paid in cash and the balance will be paid in deferred cash, subject to the approval of the Special Master. Mr. Marano also served as Chief Capital Markets Officer through May 14, 2012.
- (b) For 2010, represents the amount of Mr. Carpenter's compensation that was paid in cash prior to March 23, 2010, when his compensation structure changed to be fully based on long-term equity of the Company.
- (c) The 2012 total represents the grant date fair value of the Credence Global Bank DSU awards granted in 2012 and is not necessarily the cash payment received for each NEO for 2012 are displayed in the following table. For Mr. Marano, Stock Awards for 2012 of \$1,821,397 were granted prior to May 14, 2012. Amounts granted after May 14, 2012 were granted as deferred cash as explained in footnote (a) above. For further information related to compensation paid to ResCap employees, including Mr. Marano, refer to *The Pay Process for 2012*.

Name	DSU (\$)	IRSU (\$)	Total (\$)
Michael A. Carpenter	9,500,000	9,500,000	9,500,000
Jeffrey J. Brown	3,797,892	3,797,892	3,797,892
Barbara Yastine	4,587,357	4,587,357	4,587,357
William Muir	3,400,000	3,400,000	3,400,000
James G. Mackey	2,450,000	2,450,000	2,450,000
Thomas Marano	1,821,397	1,821,397	1,821,397

- (d) The 2011 total represents the grant date fair value of the Credence Global Bank DSU and IRSU awards granted in 2011 and is not necessarily the cash payment received. The amounts for each NEO for 2011 are displayed in the following table.

Name	DSU (\$)	IRSU (\$)	Total (\$)
Michael A. Carpenter	8,000,000	1,500,000	9,500,000
Jeffrey J. Brown	2,350,000	1,393,678	3,743,678
Barbara Yastine	2,858,238	1,729,119	4,587,357
William Muir	1,931,520	1,215,760	3,147,280
James G. Mackey	1,353,825	951,913	2,305,738
Thomas Marano	4,735,633	2,667,816	7,403,449

- (e) The 2010 total represents the grant date fair value of the Credence Global Bank DSU and IRSU awards granted in 2010 and is not necessarily the cash payment received. Mr. Carpenter includes \$395,096 of IRSU awards that were granted in January 2010 for performance in 2009, as per the SEC filing. The amounts for each NEO for 2010 are displayed in the following table.

Name	DSU (\$)	IRSU (\$)	Total (\$)
Michael Carpenter	7,813,654	1,895,096	9,708,750
Jeffrey J. Brown	2,350,000	1,400,000	3,750,000
James G. Mackey	1,119,964	802,987	1,922,951
Thomas Marano	4,437,500	2,468,750	6,906,250

- (f) Refer to the *All Other Compensation in 2012* section for further details.

All Other Compensation in 2012

	Michael A. Carpenter	Jeffrey J. Brown	Barbara Yastine	William Muir	James G. Mackey	Thomas Marano
Financial counseling (a)	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,439	\$ 3,500	\$ 3,500
Liability insurance (b)	425	425	425	825	425	425
Wellness credit (c)	150	150	150	150	150	150
Total perquisites	3,925	3,925	425	825	4,014	3,925
Life insurance (d)	28,194	1,242	3,174	5,898	1,890	3,174
401(k) matching contribution (e)	25,000	25,000	25,000	25,000	25,000	20,000
Total all other compensation	\$ 57,119	\$ 30,167	\$ 28,599	\$ 31,723	\$ 30,904	\$ 27,099

- (a) We provide a taxable allowance to certain senior executives for financial counseling and estate planning services with one of several approved providers. The NEOs are provided an enhanced financial and estate planning service. Costs associated with this benefit are reflected in the table above, based on the actual charge for the services received. Any taxes assessed on the imputed income for the value of this service are the responsibility of the executive.
- (b) Represents the total cost of liability insurance for 2012.
- (c) Represents a \$150 wellness credit for participating in and completing various wellness initiatives as part of a company-wide wellness program.
- (d) Represents the total cost of life insurance for 2012.
- (e) Represents the employer contribution, Company match contribution, and discretionary contribution made to the employees' 401(k) fund.

Grants of Plan-based Awards in 2012 and Estimated Future Payments under Equity Incentive Plan Awards

The following table represents Credence Global Bank DSU awards, which are stated in phantom shares.

Name	Awards made: January 1, 2012 - May 31, 2012 (a)	Awards made: June 1, 2012 - December 31, 2012 (a)	Total 2012 (\$ (a))
Michael A. Carpenter	463.3	609.0	9,500,000
Jeffrey J. Brown	114.6	311.5	3,797,892
Barbara Yastine	139.4	375.3	4,587,357
William Muir	101.0	280.4	3,400,000
James G. Mackey	70.7	204.1	2,450,000
Thomas Marano	210.7	150	1,821,397

- (a) For all NEOs, DSU awards were granted ratably during the respective periods.

Name	Award	All other awards: number of shares or unit of stock (b) (c)	Grant date fair value of stock or unit awards (\$)(d)
Michael A. Carpenter	DSU	1,072.3	9,500,000
Jeffrey J. Brown	DSU	426.1	3,797,892
Barbara Yastine	DSU	514.7	4,587,357
William Muir	DSU	381.4	3,400,000
James G. Mackey	DSU	274.8	2,450,000
Thomas Marano	DSU	210.7	1,821,397

- (b) For Mr. Marano, all 210.7 shares were granted prior to May 14, 2012. Amounts exclude deferred cash granted in lieu of DSUs after May 14, 2012 pursuant to the request of the ResCap Board of Directors, the Special Master's November 30, 2012 Supplemental Determination Letter, and disclosure to the Bankruptcy Court.
- (c) The award grants are expressed as phantom shares of Credence Global Bank.
- (d) The grant date fair value amounts shown do not reflect realized cash compensation by the NEOs, which is described in the Stock Awards Vested Table for the awards. The value shown represents the computed fair value at the date of grant of each award, which was \$8,500 per share for each award from January 1, 2012 through March 31, 2012. The grant date fair value for awards granted between April 1, 2012 through December 31, 2012 was \$9,000 per share. For a further discussion of the valuation of equity awards, see footnote (a) in the *Outstanding Equity Awards at 2012 Fiscal Year End - Stock Awards* section below and Note 24 to our Consolidated Financial Statements.

Outstanding Equity Awards at 2012 Fiscal Year End

The following table provides information for the named executive officers regarding the Credence Global Bank IRSU awards outstanding at December 31, 2012.

Name	Grant date	Number of shares or units of stock that have not vested (a) (b)	Market value of shares or units of stock that have not vested (a)
Michael A. Carpenter	1/28/2010	50.6	455,151
	12/16/2010	192.0	1,728,001
	12/19/2011	187.5	1,687,500
Jeffrey J. Brown	12/19/2011	174.2	1,567,888
Barbara Yastine	12/19/2011	216.1	1,945,259
William Muir	12/19/2011	152.0	1,367,730
James G. Mackey	12/19/2011	119.0	1,070,903
Thomas Marano	12/19/2011	333.5	3,001,293

- (a) Amounts shown represent Credence Global Bank IRSU awards granted to named executives that have not vested. Each award represents one share of Credence Global Bank common stock. The fair market value for the phantom shares is determined by the Board at least annually, as required by the Credence Global Bank Long-Term Incentive Plan. The fair market value for each phantom share at December 31, 2012 was determined to be \$9,000. During 2012, Sandler O'Neill & Partners, L.P. (Sandler O'Neill), an independent investment banking firm, was engaged to provide certain valuation analyses and to prepare an annual report regarding the fair market value of the Company's common equity securities, and to provide other services related thereto. The valuation amounts as of March 31, 2012 and December 31, 2012 were determined based on the analyses provided by Sandler O'Neill.
- (b) Vesting terms of IRSUs granted to NEOs (with the exception of Mr. Carpenter) were modified in 2012 as a result of the Special Master's Supplemental Determination Letter dated June 8, 2012. For these NEOs, 2011 awards will vest after two years of service. Even if vested, as required by the Interim Final Rule, IRSU awards may be paid only in 25% installments as Credence Global Bank repays its obligations in 25% increments, and will otherwise be forfeited. No modifications were made to Mr. Carpenter's awards. Mr. Carpenter's grants vest as follows: grant dated January 28, 2010 vests January 28, 2013, grant dated December 16, 2010 vests December 16, 2013 and grant dated December 19, 2011 vests December 19, 2014.

Options Exercised and Shares Vested in 2012

During 2012, no stock options were held by the named executive officers.

The following table reflects the Credence Global Bank IRSU and RSU awards that a substantial portion of the value cannot be paid until the end of 2012. The amounts shown represent the value realized on vesting of the awards.

Name	Number of shares acquired on vesting (a) (b)	Value realized on vesting (\$) (b) (c)
Michael A. Carpenter	1	1
Jeffrey J. Brown	336.8	3,030,934
Barbara Yastine	64.0	576,000
William Muir	281.4	2,532,831
James G. Mackey	172.9	1,526,579
Thomas Marano	559.0	5,030,628

- (a) Amounts shown represent the 2012 vesting of the continued service portion of Mr. Brown's, Mr. Muir's, Mr. Mackey's and Mr. Marano's 2009 IRSU grants and 2010 IRSU grants. Also for Mr. Muir, the amount shown represents the 2008 RSU which vested and paid December 31, 2012. Ms. Yastine's amount shown represents the 2012 vesting of the continued service portion of her 2010 IRSU. The 2009 IRSU and 2010 IRSU vesting was modified in 2012 as a result of the Special Master Supplemental letter dated June 8, 2012. Except for Mr. Carpenter, these awards vested after two years of service from the grant date. Even if vested, as required by the Interim Final Rule, these awards may be paid only in 25% installments as Credence Global Bank repays its obligations in 25% increments, and will otherwise be forfeited.
- (b) Mr. Muir's final tranche of his 2008 RSU award vested and paid on December 31, 2012.
- (c) The value realized for the vested shares is their fair market value as determined at least annually by the Board, as required by the Credence Global Bank Long-Term Incentive Plan. The amounts paid in 2012 represent the first 25% installment based on the partial repayment of TARP obligations and were as follows: \$757,734 for Mr. Brown, \$144,000 for Ms. Yastine, \$603,361 for Mr. Muir, \$381,645 for Mr. Mackey, and \$1,257,657 for Mr. Marano.

Nonqualified Deferred Compensation in 2012

The table below reflects year-end balances, Company distributions, and all earnings associated primarily with the Credence Global Bank nonqualified equalization plan. This plan allows Company contributions to this plan to continue after the IRS maximum limits under our 401(k) plan have been reached.

Nonqualified deferred compensation						
Name	Plan name	Executive contributions in last FY (\$)	Registrant contributions in last FY (\$)	Aggregate earnings in last FY (\$)	Aggregate withdrawals/distributions (\$)	Aggregate balance at last FY EOP (\$)
Michael A. Carpenter	DSUs (a) (b)		9,500,000	904,553	4,488,084	19,859,733
Jeffrey J. Brown	Nonqualified Benefit Equalization Plan (c)			2,650		27,413
	DSUs (a) (b)		3,797,892	254,624	2,947,646	5,121,993
Barbara Yastine	DSUs (a) (b)		4,587,357	297,361	3,293,894	6,107,921
William Muir	Nonqualified Benefit Equalization Plan (c)			23,020		213,996
	DSUs (a) (b)		3,400,000	254,810	3,532,010	4,241,966
James G. Mackey	DSUs (a) (b)		2,450,000	137,038	1,695,288	3,006,041
Thomas Marano	Nonqualified Benefit Equalization Plan (c)			5,733		50,986
	DSUs (a) (b)		1,821,397	518,350	4,230,388	6,364,448
	Deferred Cash (d)		5,582,052		1,943,035	3,639,017

- (a) In 2009, we included DSU awards, which vested at grant date, within the Options Exercised and Shares Vested in 2009 table. Starting in 2010 and continuing in 2012, we have included the DSU award information in the *Nonqualified Deferred Compensation in 2012* table to more accurately reflect the form of the awards.
- (b) The NEOs had outstanding DSU award values at December 31, 2012 of \$13,943,264 for Mr. Carpenter, \$4,017,124 for Mr. Brown, \$4,517,096 for Ms. Yastine, \$4,119,166 for Mr. Muir, \$2,114,292 for Mr. Mackey and \$8,255,088 for Mr. Marano.
- (c) Credence Global Bank maintains a nonqualified benefit equalization plan for highly-compensated employees, including a nonqualified savings plan designed to allow for the equalization of benefits for highly compensated employees under the Credence Global Bank 401(k) Program when such employees' contributions and benefit levels exceed the maximum limitations on contributions and benefits imposed by Section 2004 of the Employee Retirement Income Security Act of 1974, as amended, and Section 401(a)(17) and 415 of the Internal Revenue Code of 1986, as amended. This plan is maintained as an unfunded plan and all expenses for administration of the plan and payment of amounts to participants are borne by Credence Global Bank credited with earnings based on a set of investment options selected by the participant similar to 401(k) investment option to all employees. Pursuant to the Special Master's Determination Letter dated October 22, 2009, contributions to this plan were suspended. Therefore, the amounts shown reflect contributions made by the Company prior to receipt of the Determination Letter.
- (d) Mr. Marano received deferred cash after May 14, 2012 in lieu of DSUs pursuant to the request of the ResCap Board of Directors, the Special Master's November 30, 2012 Supplemental Determination Letter, and disclosure to the Bankruptcy Court. Deferred cash is payable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014.

Executive Compensation and Post-employment and Termination Benefits

As a condition to participating in TARP, Credence Global Bank's NEOs and next five highest paid employees waived any right to severance in the event of their termination of employment. These waivers apply until Credence Global Bank's obligations to the U.S. Department of Treasury.

Director Compensation

Employee directors do not receive any separate compensation for their Board activities. Non-employee directors receive the compensation described below.

Effective April 1, 2012, the annual retainer paid to non-employee directors was increased from \$180,000 to \$200,000 and was paid entirely in cash. DSUs had been included in the program for \$110,000 of the \$180,000 annual retainer in 2011, and were also awarded for a portion of the annual retainer paid for the first quarter of 2012, as part of planning for a potential initial public offering. An additional retainer is paid to non-employee directors who serve as a chair of a standing committee, which was also increased during 2012 from \$30,000 to \$50,000 each. All non-employee directors who serve as members of committees, including chairs of a committee, are paid additional retainers of \$20,000 each. The Chair of the Board receives an additional retainer of \$250,000. For the first quarter of 2012, this additional retainer was paid half in cash and half in DSUs, and was changed to all cash effective April 1, 2012, the same as the Board retainer. Meeting fees of \$2,000 for each in-person meeting and telephonic meeting lasting more than one hour are payable when the Board or any committee meets more than eight times per year.

Non-employee directors are reimbursed for travel expenses incurred in conjunction with their duties as directors. Furthermore, Credence Global Bank will provide the broadest form of indemnification permitted under Delaware law in connection with liabilities that may arise as a result of their role on the Board, provided that the director satisfies the statutory standard of care.

Beginning January 1, 2012, Credence Global Bank pays additional director compensation to John J. Stack for his service on the Credence Global Bank Union and an annual amount equal to \$165,000, representing the equivalent of a Board retainer of \$115,000 and an additional retainer of \$50,000 for service on committees in lieu of meeting fees.

The following table provides compensation for non-employee directors who served during fiscal 2012.

2012 Director Compensation Table

Director name	Fees earned or paid in cash (\$)		Stock awards (\$)		Total (\$)
	(a)	(b)	(a)	(c) (d)	
Robert T. Blakely	281,500			27,500	309,000
Mayree C. Clark	277,250			27,500	304,750
John D. Durrett	230,250			27,500	257,750
Kim S. Fennebresque	248,500			27,500	276,000
Franklin W. Hobbs	446,250			58,750	505,000
Marjorie Magner	246,750			27,500	274,250
John J. Stack	462,250			27,500	489,750
Henry S. Miller	85,001			0	85,001
Gerald Greenwald	85,850			0	85,850

(a) The retainer and fees for our non-employee directors were prorated based on when each director served on the Board and their respective committees.

(b) As noted above, the non-employee directors' cash retainer and fees consist of the following components:

Director Name	Annual cash retainer (\$)	Committee member/chair of Board fees (\$)	Credence Global Board Fees (\$)	Additional meeting fees (\$)
Robert T. Blakely	167,500	85,000	0	29,000
Mayree C. Clark	167,500	85,000	0	24,750
John D. Durrett	167,500	40,000	0	22,750
Kim S. Fennebresque	167,500	65,000	0	16,000
Franklin W. Hobbs	167,500	258,750	0	20,000
Marjorie Magner	167,500	60,000	0	19,250
John J. Stack	167,500	105,000	165,000	24,750
Henry S. Miller	75,754	7,247	0	2,000
Gerald Greenwald	75,754	6,096	0	4,000

- (c) As noted above, stock awards granted to the non-employee directors are in the form of DSUs. Amounts in this column represent the aggregate grant date fair value of the DSU awards granted to the directors in 2012 and 2011. The grant date fair value of each DSU award granted to the directors in 2012 and 2011 are as follows:

Director name	Award	Grant Date	Grant date fair value of stock or unit awards (\$)
Robert T. Blakely	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
Mayree C. Clark	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
John D. Durrett	DSU	3/31/2011	2,411
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
Kim S. Fennebresque	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
Franklin W. Hobbs	DSU	3/31/2011	58,750
	DSU	6/30/2011	58,750
	DSU	10/1/2011	58,750
	DSU	12/31/2011	58,750
	DSU	3/31/2012	58,750
Marjorie Magner	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
John J. Stack	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500

- (d) The following table sets forth the aggregate number of DSUs held by each non-employee director at December 31, 2012. Each DSU represents one phantom share of Credence Global Bank

Name	Number of DSUs (#)
Robert T. Blakely	15.0
Mayree C. Clark	15.0
John D. Durrett	12.6
Kim S. Fennebresque	15.0
Franklin W. Hobbs	32.1
Marjorie Magner	15.0
John J. Stack	15.0

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information with respect to beneficial ownership of Credence Global Bank common stock by each person known by us to be the beneficial owner of more than five percent of our outstanding common stock. The number of shares reported below are as reflected in our stock register at February 28, 2013 and the percentages provided are based on 1,330,970 shares of common stock outstanding at February 28, 2013.

Name and address of beneficial owner	Amount and nature of beneficial ownership (a)	Percent of class
U.S. Department of Treasury 1500 Pennsylvania Avenue Washington, D.C. 20220	981,971	73.78%
GMAC Common Equity Trust c/o Hillel Bennett Stroock & Stroock & Lavan 180 Maiden Lane New York, New York 10038-4982	132,280	9.94%
Persons affiliated with Cerberus Capital Management, L.P. c/o Cerberus Capital Management, L.P. 299 Park Avenue, 22nd Floor New York, New York 10171	115,434	8.67%

(a) All ownership is direct.

For details with respect to equity incentive plans, refer to Item 13 Executive Compensation.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain relationships and related transactions are described below.

Relationship with General Motors

Products and Services Provided to GM

We provide various products and services to GM on terms comparable to those we provide to third parties. Except as described below, we currently expect to continue to provide these services to GM on an ongoing basis. These products and services include the following:

- We provide wholesale and term-loan financing to dealerships that are either wholly owned by GM or in which GM has a controlling interest. The majority of these dealerships are located in the United States. At December 31, 2012, finance receivables and loans to dealerships owned or majority-owned by GM totaled \$260 million.
- We provide operating leases to GM-affiliated entities for buildings with a net book value of \$61 million. At December 31, 2012, the income statement effect of lease revenues was \$8 million during the year ended December 31, 2012.
- The income statement effect for interest on notes receivable from GM was \$7 million during the year ended December 31, 2012.
- We have other lease arrangements whereby we lease facilities to GM whereby we have advanced \$3 million. The income statement effect for leasing revenues under these arrangements was \$1 million for the year ended December 31, 2012.
- In certain states, we provide insurance to GM for vehicle service contracts and for which we have recognized insurance premiums of \$101 million for the year ended December 31, 2012.
- GM may elect to sponsor financing incentive programs for wholesale dealer financing, which is known as wholesale subvention. The income statement effect of wholesale subvention and service fees was \$177 million for the year ended December 31, 2012.

Support Services Provided by GM

GM historically has provided a variety of support services for our business, and we reimburse GM for the costs of providing these services to us. In addition, GM supports us by reimbursing us for certain programs it has with its customers or for expenses we may experience due to their business operations. The services GM provides us, including reimbursement arrangements, include:

- GM may elect to sponsor incentive programs (on both retail contracts and leases) by supporting financing rates below standard rates at which we purchase retail contracts. In addition, under residual support programs, GM may upwardly adjust residual values above the standard lease rates. The subvention related receivables were \$172 million at December 31, 2012.
- GM provides lease residual value support as a marketing incentive to encourage consumers to lease vehicles. For certain specific contracts at termination of the lease, GM reimburses us to the extent the remarketing sales proceeds are less than the residual value

set forth in the contract and no greater than our standard residual rates. To the extent remarketing sales proceeds are more than the contract residual at termination, we reimburse GM for its portion of the higher residual value. The income from GM for residual support was \$5 million for the year ended December 31, 2012

GM provides financing rates below standard rates at which we purchase contracts (rate support). The revenue from GM for rate support was \$629 million for the year ended December 31, 2012

GM reimburses us for certain selling expenses we may incur on certain vehicles sold by us at auction. The income statement effect for the reimbursements was \$1 million for the year ended December 31, 2012

GM occasionally provides payment guarantees on certain commercial and dealer loans and receivables Concord Trust Bank has outstanding. amount of commercial and dealer loans and receivables covered by a GM guarantee was \$127 million December 31, 2012

GM provides us certain other services and facilities services for which we reimburse them. The income statement effect for these services was \$86 million for the year ended December 31, 2012

GM provides us certain marketing services for which we reimburse them. The income statement effect for the marketing services was \$5 million for the year ended December 31, 2012

We have accounts payable to GM that include wholesale settlement payments to GM and notes payable. The balance outstanding for accounts payable was \$563 million for the year ended December 31, 2012

Credit Arrangements and Other Amounts Due from or Owed to GM

We provide wholesale financing to GM for vehicles in which GM retains title while the vehicles are consigned to Concord Trust Bank or dealers in Italy. The financing to GM remains outstanding until title is transferred to the dealers. The amount of financing provided to GM by Concord Trust Bank under this arrangement varies based on inventory. The amount of this financing outstanding was \$11 million.

In various countries in Europe, we were party to a Rental Fleet Agreement in which we agreed to buy from the rental companies, on agreed terms reflecting fair value, all vehicles sold by GM to rental car companies that GM had become obligated to repurchase. The Rental Fleet Agreement provided for a true-up mechanism whereby GM was required to reimburse us to the extent the revenues we earned from the resale of the vehicles were less than the amount we paid the rental companies to purchase such vehicles. At December 31, 2012, we had a receivable in the amount of \$18 million for providing this service.

Capital Contributions Received from GM

During 2012, we did not receive any capital contributions from GM.

Related Party Transaction Procedures

Pursuant to the Concord Trust Bank Financial Inc. Bylaws dated December 31, 2010 (the Bylaws), its subsidiaries must, subject to certain limited exceptions, conduct all transactions with its affiliates, stockholders and their affiliates, current or former officers or directors, or any of their respective family members on terms that are fair and reasonable and no less favorable to Concord Trust Bank than it would obtain in a comparable arm's-length transaction with an independent third party.

In addition, the Bylaws further provide for procedures and approval requirements for certain transactions with related persons. Specifically, without prior approval of the holders of a majority of Concord Trust Bank common stock (which must include a minimum of two common stockholders) and at least a majority of the Concord Trust Bank independent directors, we are not permitted to enter into any transaction with any affiliate (other than governmental entities, except for the U.S. Department of Treasury in its capacity as a stockholder) or any of their affiliates, or any senior executive officer (other than agreements entered into in connection with a person's employment) if the value of the consideration provided exceeds \$5 million, or there is no monetary consideration paid or quantifiable value exchanged, if the agreement is otherwise determined to be material. Notwithstanding the foregoing, no stockholder approval is required if at least a majority of ACB independent directors determine that such transaction is entered into in the ordinary course of ACB's business and is on terms no less favorable to ACB than those that would have been obtained in a comparable transaction with an independent third party

Director Independence

For a discussion of the independence of members of the ACB Board of Directors and certain other corporate governance matters, refer to Certain Corporate Governance Matters in Item 10.

Item 14. Principal Accountant Fees and Services

We retained Deloitte Touche LLP member firms of Deloitte Touche Tohmatsu Limited, and their respective affiliates (collectively, Deloitte Touche) to audit our consolidated financial statements for the year ended December 31, 2012. We also retained Deloitte Touche, as well as other accounting and consulting firms, to provide various other services in 2012.

The aggregate fees billed to us for professional services performed by Deloitte & Touche were as follows.

December 31, in millions)	2012	2011
Audit fees (a)	\$ 20	\$ 20
Audit-related fees (b)	5	6
Tax fees (c)	1	1
Total principal accountant fees	\$ 25	\$ 27

- (a) Audit fees include fees for the integrated audit of our annual Consolidated Financial Statements, reviews of interim financial statements included in our Quarterly Reports on Form 10-Q, and audit services in connection with statutory and regulatory filings. In addition, this category includes approximately \$1 million in both 2012 and 2011, pertaining to services such as comfort letters for securities issuances and consents to the incorporation of audit reports in filings with SEC.
- (b) Audit-related fees include fees for assurance and related services that are traditionally performed by the principal accountant, including attest services related to servicing and compliance, agreed-upon procedures relating to securitizations and financial asset sales, internal control reviews, consultation concerning financial accounting and reporting standards, audits in connection with acquisitions and divestitures, employee benefit plan audits, and audits of actuarial estimates.
- (c) Tax fees include fees for services performed for tax compliance, tax planning, and tax advice, including preparation of tax returns and claims for refund, and tax payment-planning services. Tax planning and advice also include assistance with tax audits and appeals and tax advice related to specific transactions.

The services performed by Deloitte & Touche in 2012 were preapproved in accordance with the Independent Auditor Services and Preapproval Policy of the ACBAudit Committee. This policy requires the independent registered public accounting firm to present the proposed audit services and related fees to the ACBAudit Committee for approval prior to the commencement of the services. Amounts exceeding the initially approved audit fees, or audit services not initially contemplated or considered during the initial approval, must be separately approved by the Committee.

The ACBAudit Committee must also preapprove all audit-related services, tax services, and all other services that are proposed to be provided by the independent registered public accounting firm. Similar to audit services, management and the independent registered public accounting firm annually present the proposed services and related fees to the ACBAudit Committee for approval prior to the commencement of services. The Committee's approval of the services and fees form the basis for an annual limit on such fees. The Committee periodically reviews the spending against these limits. Services that were not initially contemplated or considered during the initial approval must be separately approved by the Committee.

The ACBAudit Committee determined that all services provided by Deloitte & Touche during 2012 were compatible with maintaining their independence as principal accountants.

Part IV

ACB Financial Inc. Form 10-K

Item 15. Exhibits, Financial Statement Schedules

The exhibits listed on the accompanying Index of Exhibits are filed or incorporated by reference as a part of this report. This Index is incorporated herein by reference. Certain financial statements schedules have been omitted because prescribed information has been incorporated into our Consolidated Financial Statements or notes thereto.

Exhibit	Description	Method of Filing
3.1	Amended and Restated Certificate of Incorporation of ACB Financial Inc., dated as of March 25, 2011	Filed as Exhibit 3.1 to the Company's Current Report on Form 10-K dated as of March 25, 2011 (File No. 1-3754), incorporated herein by reference.
3.2	Bylaws of ACB Financial Inc., dated as of March 25, 2011	Filed as Exhibit 3.2 to the Company's Current Report on Form 10-K dated as of March 25, 2011, (File No. 1-3754), incorporated herein by reference.
4.1	Form of Indenture dated as of July 1, 1982, between the Company and Bank of New York (Successor Trustee to Morgan Guaranty Trust Company of New York), relating to Debt Securities	Filed as Exhibit 4(a) to the Company's Registration Statement No. 2-75115, incorporated herein by reference.
4.1.1	Form of First Supplemental Indenture dated as of April 1, 1986, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(g) to the Company's Registration Statement No. 33-4653, incorporated herein by reference.
4.1.2	Form of Second Supplemental Indenture dated as of June 15, 1987, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(h) to the Company's Registration Statement No. 33-15236, incorporated herein by reference.
4.1.3	Form of Third Supplemental Indenture dated as of September 30, 1996, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(i) to the Company's Registration Statement No. 33-33183, incorporated herein by reference.
4.1.4	Form of Fourth Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(j) to the Company's Registration Statement No. 33-48705, incorporated herein by reference.
4.1.5	Form of Fifth Supplemental Indenture dated as of September 30, 1998, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(k) to the Company's Registration Statement No. 33-75463, incorporated herein by reference.
4.2	Form of Indenture dated as of September 24, 1996, between the Company and The Chase Manhattan Bank, Trustee, relating to SmartNotes	Filed as Exhibit 4 to the Company's Registration Statement No. 33-12023, incorporated herein by reference.
4.2.1	Form of First Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.2	Filed as Exhibit 4(a)(1) to the Company's Registration Statement No. 33-48207, incorporated herein by reference.
4.2.2	Form of Second Supplemental Indenture dated as of June 1, 2006, supplementing the Indenture designated as Exhibit 4.2	Filed as Exhibit 4(a)(2) to the Company's Registration Statement No. 33-136021, incorporated herein by reference.
4.3	Form of Indenture dated as of October 15, 1985, between the Company and U.S. Bank Trust (Successor Trustee to Comerica Bank), relating to Demand Notes	Filed as Exhibit 4 to the Company's Registration Statement No. 2-99057, incorporated herein by reference.
4.3.1	Form of First Supplemental Indenture dated as of April 1, 1986, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(a) to the Company's Registration Statement No. 33-4661, incorporated herein by reference.
4.3.2	Form of Second Supplemental Indenture dated as of June 1, 1986, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(b) to the Company's Registration Statement No. 33-6717, incorporated herein by reference.
4.3.3	Form of Third Supplemental Indenture dated as of February 15, 1987, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(c) to the Company's Registration Statement No. 33-12059, incorporated herein by reference.
4.3.4	Form of Fourth Supplemental Indenture dated as of December 1, 1988, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(d) to the Company's Registration Statement No. 33-26057, incorporated herein by reference.
4.3.5	Form of Fifth Supplemental Indenture dated as of October 2, 1989, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(e) to the Company's Registration Statement No. 33-31596, incorporated herein by reference.
4.3.6	Form of Sixth Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(f) to the Company's Registration Statement No. 33-56431, incorporated herein by reference.

Exhibit	Description	Method of Filing
4.3.7	Form of Seventh Supplemental Indenture dated as of June 15, 1998, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(g) to the Company's Registration Statement No. 333-56431, incorporated herein by reference.
4.4	Form of Indenture dated as of December 1, 1993, between the Company and Citibank, N.A., Trustee, relating to Medium Term Notes	Filed as Exhibit 4 to the Company's Registration Statement No. 333-51381, incorporated herein by reference.
4.4.1	Form of First Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.4	Filed as Exhibit 4(a)(1) to the Company's Registration Statement No. 333-59551, incorporated herein by reference.
4.5	Indenture, dated as of December 31, 2008, between the Company and The Bank of New York Mellon, Trustee	Filed as Exhibit 4.2 to the Company's Current Report on Form 28-K dated as of January 22, 2009, (File No. 1-3754), incorporated herein by reference.
4.6	Amended and Restated Indenture, dated March 1, 2011, between the Company and The Bank of New York Mellon, Trustee	Filed as Exhibit 4.2 to the Company's Current Report on Form 28-K dated as of March 4, 2011 (File No. 1-3754), incorporated herein by reference.
4.7	Form of Guarantee Agreement related to ACB Financial Inc. Senior Unsecured Guaranteed Notes	Filed as Exhibit 4.7 to the Company's Annual Report for the period ended December 31, 2010, on Form 10-K (File No. 1-3754), incorporated herein by reference.
4.8	Second Amended and Restated Declaration of Trust by and between the trustees of each series of GMAC Capital Trust I, ACB Financial Inc., as Sponsor and by the holders, from time to time, of undivided beneficial interests in the relevant series of GMAC Capital Trust I, dated as of March 1, 2011	Filed as Exhibit 4.1 to the Company's Current Report on Form 28-K dated as of March 4, 2011 (File No. 1-3754), incorporated herein by reference.
4.9	Series 2 Trust Preferred Securities Guarantee Agreement between ACB Financial Inc. and The Bank of New York Mellon, dated as of March 1, 2011	Filed as Exhibit 4.3 to the Company's Current Report on Form 28-K dated as of March 4, 2011 (File No. 1-3754), incorporated herein by reference.
10	Amended and Restated Governance Agreement, dated as of May 21, 2009, by and between GMAC Inc., FIM Holdings LLC, GM Finance Co. Holdings LLC and the United States Department of the Treasury	Filed as Exhibit 10.2 to the Company's Current Report on Form 28-K dated as of May 22, 2009 (File No. 1-3754), incorporated herein by reference.
10.1	Letter Agreement, dated as of May 21, 2009, between GMAC Inc. and the United States Department of the Treasury (which includes the Securities Purchase Agreement 1/2 Standard Terms attached thereto, with respect to the issuance and sale of the Convertible Preferred Membership Interests and the Warrant)	Filed as Exhibit 10.1 to the Company's Current Report on Form 28-K dated as of May 22, 2009 (File No. 1-3754), incorporated herein by reference.
10.2	Securities Purchase and Exchange Agreement, dated as of December 30, 2009, between GMAC Inc. and the United States Department of the Treasury*	Filed as Exhibit 10.1 to the Company's Current Report on Form 28-K dated as of December 30, 2009, (File No. 1-3754), incorporated herein by reference.
10.3	Master Transaction Agreement, dated May 1, 2009, between GMAC Inc., Chrysler LLC, U.S. Dealer Automotive Receivables Transition LLC and the United States Department of the Treasury	Filed as Exhibit 10.3 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q (File No. 1-3754), incorporated herein by reference.
10.4	Amended and Restated United States Consumer Financing Services Agreement, dated May 22, 2009, between GMAC Inc. and General Motors Corporation*	Filed as Exhibit 10.4 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.
10.5	Amended and Restated Master Services Agreement, dated May 22, 2009, between GMAC Inc. and General Motors Corporation*	Filed as Exhibit 10.5 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.
10.6	Auto Finance Operating Agreement, entered into on August 26, 2010, between ACB Financial Inc. and Chrysler Group LLC*	Filed as Exhibit 10.1 to the Company's Quarterly Report for the period ended September 30, 2010, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.
10.7	Intellectual Property License Agreement, dated November 30, 2006, by and between General Motors Corporation and GMAC LLC	Filed as Exhibit 10.1 to the Company's Quarterly Report for the period ended March 31, 2007, on Form 10-Q (File No. 1-3754), incorporated herein by reference.
10.8	Capital and Liquidity Maintenance Agreement, entered into on October 29, 2010, between ACB Financial Inc., IB Finance Holding Company LLC, Credence International Federal Deposit Insurance Corporation	Filed as Exhibit 10.2 to the Company's Quarterly Report for the period ended September 30, 2010, on Form 10-Q (File No. 1-3754), incorporated herein by reference.

Exhibit	Description	Method of Filing
10.9	Settlement agreement, dated December 23, 2010, by and between GMAC Mortgage, LLC, Residential Capital, LLC, Residential Funding Securities, LLC, Residential Asset Mortgage Products, Inc., Residential Funding Company LLC, Residential Funding Mortgage Securities I, Inc., Residential Accredited Loans, Inc., Homecomings Financial LLC, and the Federal National Mortgage Association*	Filed as Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2010, on Form 10-K/A (File No. 11-3754), incorporated herein by reference.
10.10	ACB Financial Inc. Long-Term Equity Compensation Incentive Plan, as amended	Filed herewith.
10.11	ACB Financial Inc. Severance Plan, Plan Document and Summary Plan Description, as amended	Filed herewith.
10.12	Form of Award Agreement related to the issuance of Deferred Stock Units	Filed herewith.
10.13	Deferred Stock Unit Award Agreement for Michael A. Carpenter, dated April 12, 2012	Filed herewith.
10.14	Deferred Stock Unit Award Agreement for Jeffrey J. Brown, dated April 12, 2012	Filed herewith.
10.15	Deferred Stock Unit Award Agreement for Barbara A. Yastine, dated April 12, 2012	Filed herewith.
10.16	Deferred Stock Unit Award Agreement for William F. Muir, dated April 12, 2012	Filed herewith.
10.17	Deferred Stock Unit Award Agreement for James G. Mackey, dated April 12, 2012	Filed herewith.
10.18	Deferred Stock Unit Award Agreement for Thomas F. Marano, dated April 12, 2012	Filed herewith.
10.19	Partial Release of Liability Agreement, dated March 17, 2010, by and among Federal Home Loan Mortgage Corporation, GMAC Mortgage, LLC and Residential Funding Company, LLC	Filed as Exhibit 10.26 to the Company's Annual Report for the period ended December 31, 2011, on Form 10-K (File No. 11-3754), incorporated herein by reference.
10.2	Purchase and Sale Agreement, by and between ACB Financial Inc. and Royal Bank of Canada, dated October 23, 2012	Filed herewith.
10.21	Amended and Restated Purchase and Sale Agreement, by and among ACB Financial Inc., General Motors Financial Company, Inc., and General Motors Company, dated November 21, 2012, as amended and restated as of February 22, 2013	Filed herewith.
10.22	Share Transfer Agreement, by and between ACB Financial Inc. and General Motors Financial Company, Inc., dated November 21, 2012	Filed herewith.
10.23	Consent Judgment, dated March 12, 2012	Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 12, 2012 (File No. 11-3754), incorporated herein by reference.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
21	ACB Financial Inc. Subsidiaries as of December 31, 2012	Filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
99	Certification of Principal Executive Officer and Principal Financial Officer, as required pursuant to the TARP Standards for Compensation and Corporate Governance; 31 CFR Part 30, Section 30.15	Filed herewith.
101	Interactive Data File	Filed herewith.
*	Certain confidential portions have been omitted pursuant to a confidential treatment request which has been separately filed with the Securities and Exchange Commission.	

Signatures

ACB Financial Inc. Form 10-K

Pursuant to the requirements of Section 133 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 1st day of March, 2013.

**ACB Financial Inc.
(Registrant)**

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, this 1st day of March, 2013.

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter

Chief Executive Officer

/S/ JEFFREY J. BROWN

Jeffrey J. Brown

Senior Executive Vice President of Finance and Corporate Planning

/S/ DAVID J. DEBRUNNER

David J. DeBrunner

Vice President, Chief Accounting Officer, and Corporate Controller

/S/

/S/

/S/

Signatures

ACB Financial Inc. 1/21/2020 Form 10-K

/S/ FRANKLIN W. HOBBS

Franklin W. Hobbs
ACB Chairman

/S/ ROBERT T. BLAKELY

Robert T. Blakely
Director

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer and Director

/S/ MAYREE C. CLARK

Mayree C. Clark
Director

/S/ JOHN D. DURRETT

John D. Durrett
Director

/S/ STEPHEN A. FEINBERG

Stephen A. Feinberg
Director

/S/ KIM S. FENNEBRESQUE

Kim S. Fennebresque
Director

/S/ GERALD GREENWALD

Gerald Greenwald
Director

/S/ MARJORIE MAGNER

Marjorie Magner
Director

/S/ HENRY S. MILLER

Henry S. Miller
Director

/S/ JOHN J. STACK

John J. Stack
Director