

Ally Financial Inc.
Form 10-Q
August 02, 2013
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013, or

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

For the transition period from _____ to _____

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

38-0572512

(State or other jurisdiction of
incorporation or organization)

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

200 Renaissance Center

P.O. Box 200, Detroit, Michigan

48265-2000

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ 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 Exchange Act).

Yes ☐ No ☒

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

Table of Contents

INDEX

Ally Financial Inc. Form 10-Q

	Page
<u>Part I — Financial Information</u>	
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Statement of Comprehensive Income (unaudited)</u>	<u>3</u>
<u>for the Three and Six Months Ended June 30, 2013 and 2012</u>	
<u>Condensed Consolidated Balance Sheet (unaudited) at June 30, 2013 and</u>	<u>5</u>
<u>December 31, 2012</u>	
<u>Condensed Consolidated Statement of Changes in Equity (unaudited)</u>	<u>7</u>
<u>for the Six Months Ended June 30, 2013 and 2012</u>	
<u>Condensed Consolidated Statement of Cash Flows (unaudited)</u>	<u>8</u>
<u>for the Six Months Ended June 30, 2013 and 2012</u>	
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	<u>10</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of</u>	<u>79</u>
<u>Operations</u>	
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>123</u>
Item 4. <u>Controls and Procedures</u>	<u>124</u>
<u>Part II — Other Information</u>	<u>125</u>
Item 1. <u>Legal Proceedings</u>	<u>125</u>
Item 1A. <u>Risk Factors</u>	<u>125</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>126</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>126</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>126</u>
Item 5. <u>Other Information</u>	<u>126</u>
Item 6. <u>Exhibits</u>	<u>126</u>
<u>Signatures</u>	<u>127</u>
<u>Index of Exhibits</u>	<u>128</u>

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

	Three months ended June 30,		Six months ended June 30,	
(\$ in millions)	2013	2012	2013	2012
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	\$1,139	\$1,140	\$2,274	\$2,233
Interest on loans held-for-sale	3	20	19	51
Interest on trading assets	—	1	—	10
Interest and dividends on available-for-sale investment securities	76	77	144	151
Interest-bearing cash	2	9	5	11
Operating leases	788	561	1,522	1,068
Total financing revenue and other interest income	2,008	1,808	3,964	3,524
Interest expense				
Interest on deposits	162	160	326	323
Interest on short-term borrowings	16	19	32	36
Interest on long-term debt	703	837	1,404	1,717
Total interest expense	881	1,016	1,762	2,076
Depreciation expense on operating lease assets	499	335	934	640
Net financing revenue	628	457	1,268	808
Other revenue				
Servicing fees	19	113	101	235
Servicing asset valuation and hedge activities, net	(12)	) 46	(213)	) (60)
Total servicing income, net	7	159	(112)	) 175
Insurance premiums and service revenue earned	258	261	517	531
(Loss) gain on mortgage and automotive loans, net	(1)	) 86	37	106
Other gain on investments, net	64	64	115	153
Other income, net of losses	74	144	231	354
Total other revenue	402	714	788	1,319
Total net revenue	1,030	1,171	2,056	2,127
Provision for loan losses	89	33	220	131
Noninterest expense				
Compensation and benefits expense	252	270	537	573
Insurance losses and loss adjustment expenses	146	149	261	247
Other operating expenses	403	552	961	1,006
Total noninterest expense	801	971	1,759	1,826
Income from continuing operations before income tax expense (benefit)	140	167	77	170
Income tax expense (benefit) from continuing operations	40	(16)	) (83)	) (15)
Net income from continuing operations	100	183	160	185
(Loss) income from discontinued operations, net of tax	(1,027)	) (1,081)	) 6	(773)
Net (loss) income	(927)	) (898)	) 166	(588)
Other comprehensive loss, net of tax	(181)	) (206)	) (498)	) (19)
Comprehensive loss	\$(1,108)	) \$(1,104)	) \$(332)	) \$(607)

Statement continues on the next page.

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

Table of Contents

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

	Three months ended June 30,		Six months ended June 30,	
(\$ in millions except per share data)	2013	2012	2013	2012
Net loss attributable to common shareholders				
Net income from continuing operations	\$100	\$183	\$160	\$185
Preferred stock dividends — U.S. Department of Treasury	(133)	(134)	(267)	(267)
Preferred stock dividends	(67)	(67)	(134)	(134)
Net loss from continuing operations attributable to common shareholders	(100)	(18)	(241)	(216)
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net loss attributable to common shareholders	\$(1,127)	\$(1,099)	\$(235)	\$(989)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net loss from continuing operations	\$(75)	\$(13)	\$(180)	\$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	\$(847)	\$(825)	\$(176)	\$(743)
Diluted earnings per common share (a)				
Net loss from continuing operations	\$(75)	\$(13)	\$(180)	\$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	\$(847)	\$(825)	\$(176)	\$(743)

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 the three (a) months and six months ended June 30, 2013 and 2012, 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 Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents

Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	June 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,292	\$ 1,073
Interest-bearing	6,482	6,440
Total cash and cash equivalents	7,774	7,513
Investment securities	17,015	14,178
Loans held-for-sale, net (\$56 and \$2,490 fair value-elected)	102	2,576
Finance receivables and loans, net		
Finance receivables and loans, net	96,993	99,055
Allowance for loan losses	(1,183)	(1,170)
Total finance receivables and loans, net	95,810	97,885
Investment in operating leases, net	16,085	13,550
Mortgage servicing rights	—	952
Premiums receivable and other insurance assets	1,611	1,609
Other assets	6,701	11,908
Assets of operations held-for-sale	5,529	32,176
Total assets	\$ 150,627	\$ 182,347
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 72	\$ 1,977
Interest-bearing	50,053	45,938
Total deposit liabilities	50,125	47,915