

COMPANY PROFILE

Ally Financial Inc.

TABLE OF CONTENTS

Company Overview 3
Key Facts 3
SWOT Analysis 4

COMPANY OVERVIEW

Ally Financial Inc. (Ally Financial or 'the company'), formerly GMAC Inc., is a leading independent financial service company. It provides a broad array of financial products and services to automotive dealers and their customers through its auto financing, dealer services, online banking, and corporate finance businesses. Ally Financial operate as a financial holding company (FHC) and a bank holding company (BHC). The company operates in Canada, Europe, Latin America, and Asia-Pacific. It is headquartered in Detroit, Michigan, and employed 7,100 people as of December 31, 2015.

The bank reported interest income of (US Dollars) US\$8,305 million for the fiscal year ended December 2016 (FY2016), a decrease of 1.1% over FY2015. The net interest income after loan loss provision of the bank was US\$4,759 million in FY2016, compared to net interest income after loan loss provision of US\$5,261 million in FY2015. In FY2016, the bank recorded a net margin of 12.8%, compared to a net margin of 15.4% in FY2015.

KEY FACTS

Head Office	Ally Financial Inc. 200 Renaissance Centre Detroit Michigan 48265-2000 USA
Phone	1 866 710 4623
Fax	
Web Address	www.ally.com
Revenue / turnover (USD Mn)	9,835.0
Financial Year End	December
Employees	7,600
New York Stock Exchange Ticker	ALLY

SWOT ANALYSIS

Ally Financial Inc. (Ally Financial or "the company"), formerly GMAC Inc, is an independent financial services company. It provides an array of financial products and services to automotive dealers and their customers through its auto financing, dealer services, online banking and corporate finance businesses. Ally Financial operates as a financial holding company. Its strong market position is attributable to its long standing relationship with erstwhile General Motors, and other automobile manufacturers. Strong market position provides the company with a steady stream of business flow. However, intense competition and modest growth in vehicle sales could affect the company's financial performance.

<p>Strength</p> <p>Multiple distribution channels helping in gaining competitive advantage Strong market position in automotive servicing market Strong capital position bolstering financial strength</p>	<p>Weakness</p> <p>Dependence on General Motors and Chrysler affecting the financial performance</p>
<p>Opportunity</p> <p>Growing mobile banking market to help in retaining customers and arresting costs The US banking sector expansion provides scope for profitable growth</p>	<p>Threat</p> <p>Regulatory changes could increase compliance spending Inability to arrest decline in asset quality Intense competition likely to affect liquidity and market share</p>

Strength

Multiple distribution channels helping in gaining competitive advantage

Ally Financial through multiple distribution channels distributes its products and services throughout the US and other parts of the world. Multiple distribution channels comprise a network of independent agents, sales and service employees, claims professionals and internet. Through these channels, the company serves the insurance needs of General Motors (GM) employees, GMAC employees, GM dealers, affinity group members and the broader consumer market. Channel breadth provides opportunities for future growth in personal insurance lines. In 2010, the company entered into an agreement with Chrysler to make available automotive financing products and services to Chrysler dealers and customers. Ally Financial further diversified its customer base by establishing agreements to become preferred financing providers with other manufacturers, including Thor Industries (recreational vehicles), Maserati (for the US and Canada), MG Motor UK Ltd (in the UK), The Vehicle Production Group LLC (for the US), and SsangYoung Motor UK Ltd (in the UK). The company leverages its strong distribution arrangement to gain competitive advantage.

Strong market position in automotive servicing market

Ally Financial is one of the largest automotive services companies worldwide. Its market position is attributable to its long standing relationship with erstwhile General Motors, and other automobile manufacturers. The company is the official preferred source of financing for General Motors. The company's market position is evident from its relationship with 17,500 automotive dealerships and 4.5 million of their retail customers. Strong market position provides the company with a steady stream of business flow.

Strong capital position bolstering financial strength

Ally Financial transformed into a bank holding company towards the end of 2008. Transformation to bank holding status enabled the company to obtain \$5 billion investment from US Department of the Treasury as part of the Troubled Asset Relief Program (TARP). In 2009, the company received \$3.5 billion capital investment from the US treasury towards stress tests requirements and also received \$4 billion capital investment to support Chrysler lending. Again in 2009, the US Department of the Treasury infused \$3.8 billion into GMAC Financial Services. In 2010, the bank entered into a \$7 billion secured revolving credit facility with a syndicate of lenders. Moreover, in 2013, the company was granted a financial holding company status. Subsequently, in 2014, the US Treasury completed a private placement of approximately \$3 billion in the company's common stock. The company's strong financial position is well supported with the capital ratios well above the required regulatory level. As at December 31, 2015, Ally Financial's tier 1 capital ratio stood at 11.1% and its total risk-based capital ratio stood at 12.52%. Strong capital position is helping the company to bolster its financial strength.

Weakness

Dependence on General Motors and Chrysler affecting the financial performance

Ally Financial's majority of customers are from General Motors (GM). Thus, the adverse change in GM's business, including significant changes in GM's liquidity position and access to the capital markets, the production or sale of vehicles, the quality or resale value of vehicles, the use of marketing incentives, GM's relationships with its key suppliers and relationship with the labor unions, and other factors impacting GM affects the company's operations. In 2015, 56% of the company's US new vehicle dealer inventory financing and 46% of the US new vehicle consumer automotive financing volume were for GM franchised dealers and customers. In addition, and 31% of the company's US new vehicle dealer inventory financing and 23% of US new vehicle consumer automotive financing volume were for Chrysler dealers and customers. Thus, dependence on GM and Chrysler is affecting the company's financial performance.

Opportunity

Growing mobile banking market to help in retaining customers and arresting costs

The US mobile banking market is expected to grow at a rapid pace in the near future. According to industry estimates, mobile banking will reach over 1.75 billion users by the end of 2019, representing 32%

of the global adult population. Mobile banking is also anticipated to play a key role in bringing financial services to people in the Middle East and Africa. In Europe and North America, the technology will mainly serve as an extension of existing online banks as mobile handsets become more widely used for internet access.

Ally Financial has taken several initiatives in the recent past to improve its mobile banking services. For instance, in 2013, the company launched a new mobile application designed with direct customer input to make managing auto accounts easy and convenient. In 2014, Ally Bank expanded availability of its Ally Mobile Banking app to include a version designed exclusively for Windows Phone 8 users, enabling even more customers to access and manage their money "on the go" using the bank's app. Subsequently, in 2014, Ally Bank launched a mobile app designed specifically for the iPad and iPad mini tablets. The app is currently available for iOS 7 systems, and it will support the coming iOS 8 update as well. The company began offering consumer auto financing products for vehicles purchased on Beepi, a new way to buy and sell cars online, during December 2015. In March 2016, Ally Bank began offering customers with debit cards access to Apple Pay. Ally Bank also enabled Android Pay and Samsung Pay for the customers. Such initiatives will not only help the company to retain the existing customers, but also attract the new ones. It will also help Ally Financial to arrest the rising cost, as it will have to spend less on physical infrastructure to service additional clients.

The US banking sector expansion provides scope for profitable growth

The banking industry in the US has recovered well from the 2008/2009 crisis to post fairly strong growth in the recent years. The US banking industry is characterized by a large bank credit segment, which accounts for nearly 75% of the industry's total assets. According to MarketLine, the US banks sector grew by 3.7% in 2015 to reach a value of \$15,562.4 billion. Bank credit is the largest segment of the banks sector in the US, accounting for 74.8% of the sector's total value. The US accounts for 11.8% of the global banks sector value. Furthermore, this growth is expected to accelerate significantly and strong growth is forecast through to 2020. MarketLine estimates that in 2020, the US banking sector would have a value of \$18,208.3 billion, an increase of 17% since 2015.

Ally Financial is one of the leading players in the US banking sector. The company with its leading market position is well placed to derive economic benefits from growing potential of the US banking sector.

Threat

Regulatory changes could increase compliance spending

Financial institutions in the US and other regions have been facing increasing regulatory challenges. For instance, on July 21, 2010, the Financial Reform Act was signed into law. As a result of the Financial Reform Act, several significant regulatory developments occurred in 2012 and in 2013 and additional regulatory developments may occur in the near future. The Financial Reform Act can negatively impact the company's earnings through fee reductions, higher costs and imposition of new restrictions. Additionally, in 2011, the Durbin Amendment to the Reform Law became effective resulting in a decline in debit interchange fee income. Increasing regulatory challenges on one hand pose non-compliance risk and on the other hand increase compliance spending.

Inability to arrest decline in asset quality

Ally's asset quality as indicated by performing loans declined over the last five years. The company's nonperforming loans at December 31, 2015, increased \$27 million to \$680 million from December 31, 2014, reflecting an increase of \$32 million of consumer nonperforming loans. Subsequently, the company increased total risk provisions to \$707 million in FY2015, as compared to \$161 million in FY2011. Moreover, the global auto industry suffers from overcapacity that increases pricing pressure, in turn limiting the potential for economic profits. Increase in nonperforming loans and corresponding increase in provisions have impacted the company's profit margins.

Intense competition likely to affect liquidity and market share

The company operates in consumer financing, mortgage and insurance areas. The consumer automotive finance market in the US is highly fragmented and competitive. Ally Financial faces competition from large suppliers of consumer automotive financing including captive automotive finance companies and large national banks and from smaller suppliers, including regional banks, savings and loans associations, and specialized providers (including local credit unions). The competitors have access to significant capital and other resources and have been historically been able to access capital at a lower cost than Ally. The residential mortgage space faces significant competition from commercial banks, savings institutions, mortgage companies, and other financial institutions and has seen continuous consolidation, which adversely impact business in several respects, including increased pressure on pricing or a reduction in sources of mortgage loan. Also the insurance industry faces significant competition from insurance carriers, reinsurers, third-party administrators, brokers, and other insurance-related companies. The intense competition affects the market share of the company.

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