

# Ally To Sell Canada Auto Finance Operations

The Associated Press

DETROIT (AP) — Ally Financial Inc., the former finance arm of General Motors that was bailed out by the U.S. government, is selling its Canadian auto finance unit to Royal Bank of Canada for \$4.1 billion.

The deal, expected to close early next year, is part of Ally's plan to accelerate repayment of the \$17.2 billion bailout, but it was unclear Tuesday exactly when the government would get more money. So far Ally has repaid \$5.8 billion. The U.S. Treasury owns 74 percent of Ally common stock plus \$5.9 billion of preferred stock.

Ally said in a statement that RBC will pay a \$620 million premium over book value to buy Ally Credit Canada Limited and ResMor Trust. Book value for the third quarter was about \$3.5 billion. Ally Credit Canada had about \$9.4 billion in assets as of Sept. 30 and is among the largest auto financing businesses in Canada. ResMor Trust offers savings products to consumers and had about \$4.2 billion in assets.

It's the second asset sale in the past week for Detroit-based Ally Financial. On Thursday it reached a deal to sell its Mexican insurance business, ABA Seguros, to Swiss insurance company ACE Group for \$865 million.

"This transaction represents another significant step toward our plans to pursue strategic alternatives for our international operations and accelerate plans to repay the remaining U.S. Treasury investment," Ally CEO Michael Carpenter said in a statement.

Ally said it is still discussing the mechanics of the repayment, which could come through an initial public stock offering or a possible buyback of the \$5.9 billion in preferred shares.

"We haven't disclosed what the path will be," spokeswoman Gina Proia said. "We are encouraged at the progress so far and the value that these operations have gleaned."

Ally is still evaluating the sale of operations in Europe and Latin America and said that it expects to announce plans in November.

General Motors Co. is among the 30 bidders for Ally's international operations, but has lost out in Mexico and Canada. In a regulatory filing in August, GM said its financing arm, GM Financial, submitted a bid for Ally's operations in Canada, Mexico, Europe and Latin America. GM didn't say how much it offered.

RBC, based in Toronto, said Ally will strengthen the bank's leadership position in financing Canadian cars and trucks. RBC already finances inventory for 580 car dealers and has about 450,000 consumer loans.

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When combined, Ally Canada and RBC will have more than 1 million consumer loans and \$24 billion in receivables. The combined company will finance the inventories of more than 890 dealerships.

Also Tuesday, RBC announced that when the Ally deal closes, RBC will provide low-rate auto loans in Canada that are subsidized by General Motors. Automakers often subsidize financing as a way to boost sales.

Ally was GM's financial arm until the banking industry meltdown in 2008. It needed the government bailout to survive. Ally, which is now an auto lender and bank holding company, has delayed any public stock offering until market conditions improve.

The company posted an \$898 million second-quarter loss in August, pulled into the red when its mortgage subsidiary filed for bankruptcy protection. Ally took a \$1.2 billion charge related to the bankruptcy filing in May of Residential Capital, with its portfolio full of weak subprime mortgages.

Aside from ResCap-related items, Ally earned \$533 million of core pre-tax income for the quarter. The company, called GMAC Financial Services before changing its name in 2010, cited strong performance in auto finance and direct banking franchises.

Ally has not announced when it will report third-quarter results.

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