REFINITIV STREETEVENTS

EDITED TRANSCRIPT

ACF.N^J10 - Q2 2021 General Motors Financial Company Inc Earnings Call (Pre-Recorded)

EVENT DATE/TIME: AUGUST 04, 2021 / 3:00PM GMT

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

Daniel E. Berce *General Motors Financial Company, Inc. - President & CEO*

Stephen Jones *General Motors Financial Company, Inc. - VP of IR*

Susan B. Sheffield *General Motors Financial Company, Inc. - Executive VP & CFO*

PRESENTATION

Stephen Jones - *General Motors Financial Company, Inc. - VP of IR*

Welcome to GM Financial's Second Quarter 2021 Earnings Presentation. This is Steve Jones, Vice President of Investor Relations at GM Financial. With me today are Dan Berce, President and CEO of GM Financial; and Susan Sheffield, Chief Financial Officer.

Before we proceed, I must remind everyone that the topics we will discuss during this presentation will include forward-looking statements, which are the company's current views with respect to future events and financial performance. These forward-looking statements are subject to many assumptions, risks and uncertainties that could cause actual results to differ significantly from historical results or from those anticipated by us. The most significant of these risks are detailed from time to time in the company's filings and reports with the Securities and Exchange Commission, including the annual report on Form 10-K for the year ended December 31, 2020. If one or more of these risks or uncertainties materialize or if the underlying assumptions prove incorrect, our results may vary materially. If you have questions on the material discussed, please feel free to contact me. My contact information can be found on both the earnings release and at the end of the presentation slides. We will be posting a transcript of this presentation to our website.

I will now turn the call over to Dan Berce. Dan?

Daniel E. Berce - *General Motors Financial Company, Inc. - President & CEO*

Thanks, Steve. I'll start with financial and operating highlights for our quarter ended June 2021. We recorded record EBT driven by high used vehicle values, strong credit performance and lower interest expense. Susan will talk about the drivers a bit more, but our earnings before taxes were $1.6 billion, up from $200 million in the same period last year. Our total originations of $15 billion were significantly more than last year's $11.9 million primarily driven by strong consumer demand in North America. Our retail penetration for the second quarter of 2021 was a little over 43%, down from 53% a year ago when there were some very strong incentives in the market, including 0% for 84 months. Our earning assets ended at $102.7 billion, up from $94 billion a year ago. And another big driver of results was strong credit metrics with our annualized retail net charge-off rate of 40 basis points, much better than 1.5% a year ago.

GM Financial continues to be #1 in manufacturer loyalty, five years running now. Our funding platform, as Susan will again explain, remained quite active in the quarter. We issued $9.8 billion in public and private debt securities and renewed $12.7 billion in secured committed credit facilities. And we again paid a $600 million dividend to GM in June, equaling our first quarter dividend.

Our retail loan portfolio experienced significant growth in the quarter and year-over-year. Our portfolio is now $56.4 billion, up from $53.4 billion sequentially and from $46.5 billion a year ago. Our retail loan originations for the quarter were $9.1 billion, led by $6.2 billion of originations of GM new vehicle loans, $2.4 billion of non-GM new and $500 million of international loans. Our retail loan share for the quarter was 37.3%, similar to what it was sequentially, but again, down from a year ago when there were special incentives available in the market. Our average FICO score at origination remained squarely in the prime area at 721 and our share of prime in the portfolio has now reached 65.6%.

Credit performance has been exceptional again this quarter. Annualized net charge-offs were 40 basis points, down from 1.5% a year ago and 80 basis points sequentially. The record low annualized net charge-offs were due to the impact of government support programs, favorable changes in consumer spending behavior, our continued shift to a more prime mix of the portfolio and higher recovery rates from strong used vehicle prices. Our delinquencies showed similar trends to charge-offs with both 30-day and 60-day delinquencies down considerably from a year ago. We do

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

expect credit metrics to increase from the current levels, but longer term, our retail net charge-offs are forecasted to be below pre-pandemic levels due to the improved credit mix I talked about.

Next slide, operating lease portfolio. Our operating lease portfolio reached $40.6 billion at June 30, 2021, up slightly sequentially and up about $1 billion from the quarter a year ago. We originated $5.9 billion of leases in the quarter, up considerably from a year ago when leasing activity was constrained due to pandemic shutdowns in some of our high-lease markets. GM's type of sale was -- with respect to lease was 19% in the current quarter, similar to where it was sequentially and up a bit from a year ago. The leasing portfolio remains strongly prime with a FICO score of 775 for originations in the current quarter.

Next slide, used vehicle prices remain extremely strong. The graph on the right shows that when vehicles are returned to us at lease end for remarketing, our gross proceeds from resale are significantly in excess of ALG residual at origination for all vehicle categories, including car, CUV, SUV and truck. The graph on the left, however, shows that just 11% of the vehicles at lease end are being returned to us for remarketing. The other 89% are being purchased by either the grounding dealer or the customer. Therefore, we had only 32,900 vehicles available to us for remarketing, down significantly from quarters prior to that. We expect used vehicle prices to remain strong in 2021 given sustained low new vehicle inventory with reduced incentive levels and the economic recovery driving strong demand for both new and used vehicles.

Next slide, commercial lending. We continue to see growth in our market share in the U.S. for commercial lending. Our wholesale dealer penetration reached 35.9% at June 30, 2021, up from 30.3% a year ago. We now floorplan 1,558 dealers in the United States. Despite the growth in the number of dealers we finance, our portfolio continues to shrink as a result of the low new dealer inventory driven by global semiconductor supply shortage and strong retail sales. Our portfolio was $5.7 billion at the end of June, down from $7.9 billion a year ago. Dealer financial and operating metrics continue to improve due to increased auto sales and higher margins on both new and used vehicle sales.

My final slide before I turn it over to Susan deals with our China joint ventures. Our China joint ventures performed well in the quarter with equity income of $50 million, up from $42 million a year ago and down slightly sequentially from $54 million. The drivers of growth were strong originations, which were $3.2 billion for the quarter, driving our earning assets to $21.9 billion. And the other driver was stability in retail net charge-offs. Charge-offs were just 30 basis points in the quarter, equal sequentially, but down from 50 basis points a year ago.

And with that, I'm going to turn it over to Susan to discuss financial highlights in greater depth.

Susan B. Sheffield - *General Motors Financial Company, Inc. - Executive VP & CFO*

Thank you, Dan. Turning to Slide 10 and our financial results for the second quarter. As Dan mentioned, we earned a record $1.6 billion and pretax income compared to $226 million in Q2 of 2020. The most significant drivers of the EBT growth are higher used vehicle prices during the period and strong credit performance, in addition to decreased interest expense due to lower cost of funds.

Taking a look at some of the impacts. If we look at total revenue, it was generally flat. A couple of things happening there. Growth in the retail loan portfolio offset by slightly lower yields due to the shift to higher credit quality, as Dan mentioned. And then the decline in the commercial loan portfolio offset some of the revenue growth in the retail loan portfolio due to that lower floorplan inventory that Dan described.

Another big driver or the biggest driver were higher used vehicle prices, driving higher lease termination gains and lower depreciation expense. During the quarter compared to last year, you might recall, we had accelerated depreciation expense at the onset of the pandemic. And given what has transpired with strong demand and low inventory -- new vehicle inventory levels, we have slowed depreciation a little bit, and we have experienced, as Dan mentioned in discussion on residual strong off-lease performance.

The second biggest driver was a reduction in the provision for loan losses. As you might recall, last year in the first half, we built our reserves up for loan losses through provision -- higher provision expense due to the onset of the pandemic. However, as Dan discussed in the credit performance, we've had much better-than-expected credit performance. Economic conditions have been better and the outlook for economic conditions continues to be strong. So we had lower provision expense in the quarter compared to last year. And then as I mentioned, interest expense was a

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

benefit of $155 million due to lower average effective interest rate as well as lower average debt outstanding year-over-year. Our expectation for the year, given the strong performance in the first half of '21 is now for calendar year earnings before taxes to be in the low $4 billion range.

Turning to Slide 11. I mentioned earlier that we bought -- brought down the retail allowance in the first half of 2021, as credit performed better than we expected and the forecast for economic conditions improved from where we were a year ago. Partially offsetting that reduction was an increase to our reserves for new loan originations. These factors, coupled with higher credit profile of our customers resulted in a coverage ratio of 3.2% at 6/30/2021. Going forward, we will adjust the allowance as needed given new originations, forecasted economic conditions and recovery rates as well as any changes in the consumer credit performance. As Dan mentioned, we expect delinquency and retail net charge-offs to begin to normalize from current levels but remain below pre-pandemic levels longer term, given our shift to higher credit quality.

Now turning to the balance sheet and capital. On Slide 12, our earning assets at June 30, 2021 totaled $102.7 billion up from a year ago, largely driven by the increase in the retail loan portfolio that I previously discussed. The retail loan portfolio represents 55% of total ending earning assets at the end of the quarter. Part of growing our consumer loan business means expanding relationships with dealers. And while the balances are lower, as you heard, we did grow our market share in this segment.

Our lease portfolio remains fairly stable. Our total debt is nearly $94 billion and unsecured debt as a percentage of the total debt was 58%, well above our target of at least 50%. Available liquidity was $29 billion at the quarter end, exceeding our target liquidity metric of 6 months of liquidity to support obligations due to the timing of debt issuances.

Turning to Slide 13. Our capital position has continued to strengthen with $13.3 billion of tangible equity, up $3.4 billion from a year ago due to strong earnings results. This puts us in a good position to pay the dividends that Dan already mentioned, which as a reminder, we've paid $1.2 billion so far this year. Our leverage ratio at June 30 was 7.66x well inside our managerial target of 10x. We have a capital cushion of approximately $4.8 billion to cover losses before exceeding the Support Agreement leverage ratio limit of 12x. I would note here that the Support Agreement leverage ratio limit increased to 12x this quarter as our net ending earning assets exceeded $100 billion at the end of the June quarter. This is the maximum threshold laid out in the agreement and does not change or affect our managerial target, which remains at 10x. The 10x leverage target metric along with current business and economic conditions, earnings, liquidity requirements, our overall financial condition as well as capital needs to support the balance sheet really drive and govern the timing and amount of the dividends we pay to GM.

Turning to Slide 14. Slide 14 provides detail on GM's funding activity during the quarter. We continue to have a very strong support from our bank partners with access to committed credit facilities of more than $27 billion provided by more than two dozen banks. As Dan mentioned, we renewed over $12 billion credit facilities during the quarter, and I'm happy to report that the terms are improving from renewals a year ago. We were very active across all of our permanent funding platforms during the quarter, raising $4.1 billion in public asset-backed securities across our U.S. prime and subprime platforms as well as our lease platforms in both the U.S. and Canada. We also closed two private amortizing transactions to augment the funding needs in the U.S. for a total of $1.1 billion in the quarter. We issued $4.6 billion in unsecured debt in the U.S. and Brazil and since quarter end, issued another CAD 400 million in Canada to support that portfolio. As you can see from the chart, we're about 2/3 of our way through our funding plan for the year.

And with that, I'd like to thank you for your continued support and interest in GM Financial. I'll now turn the call back to Steve.

Stephen Jones - *General Motors Financial Company, Inc. - VP of IR*

Thank you, Susan. This concludes GM Financial's Second Quarter 2021 Earnings Presentation. If you have questions, please feel free to contact me. As mentioned, my contact information can be found on both the earnings release and at the end of the presentation slides. Thank you for your continued interest and support of GM Financial. Have a nice day.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021, Refinitiv. All Rights Reserved.

©2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV