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EDITED TRANSCRIPT

Q3 2021 General Motors Financial Company Inc Earnings Call (Pre-Recorded)

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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 Third 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 out with financial and operating highlights for our third quarter of 2021. GM Financial reported another strong quarter with earnings before taxes of $1.1 billion. That was down slightly from the quarter a year ago but did mark our fifth consecutive quarter of $1 billion plus earnings before taxes. Our total originations of $11.6 billion were down from the third quarter of 2020, primarily because of lower GM retail sales. Our retail penetration did increase quarter-over-quarter, mainly due to a higher retail loan share, which offset lower lease mix. Our earning assets ended the quarter at $101.5 billion.

Credit remains favorable with annualized retail net charge-offs of 50 basis points, down considerably from 1.2% a year ago, driven by continued strong payment rates and recovery rates on repossessed collateral.

During the quarter, we announced the concept of Cadillac Financial, which is a luxury finance offering with dedicated concierge service and enhanced online and mobile account experience. We also generated more than 3 million leads to GM dealers in the last 12 months, contributing to 530,000 vehicle sales, of which 64% were financed by GM Financial.

As Susan will explain later, we continue to be active in the funding markets, issuing $7.5 billion in public and private debt securities, and we renewed $2.3 billion in secured committed credit facilities.

And finally, we paid another dividend to GM of $600 million in the September quarter, giving us $1.8 billion paid year-to-date.

Next slide. The performance of our retail loan portfolio continued to be strong in the quarter. We originated $7.8 billion of loans in the quarter compared to $7.3 billion a year ago, driven by a higher retail loan share of 41% in the quarter as well as higher used vehicle volume.

Our weighted average FICO score in the quarter was 729, which continued to lead to a higher overall mix of prime share in the portfolio, now at 66.5%.

Next slide. As I mentioned in the highlights, our credit performance for the quarter was very good. We did see a slight seasonal

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deterioration in both delinquencies and annual charge-offs, but by any historical lens, these numbers are quite low. Delinquency rates on a 30-day basis were 1.7%, down from 2.1% a year ago, and the 60-day number was 50 basis points, down from 80 basis points.

Charge-offs of 50 basis points were slightly worse, again, seasonally than the second quarter 2021, but again, much better than the levels we saw in the last few quarters before that.

On a going-forward basis, credit metrics may increase relative to current levels over time if consumers' fiscal behavior reverts to historical norms. Longer term though, retail net charge-offs are likely to remain below pre-pandemic levels due to that improved credit mix.

Next slide, operating lease portfolio. Our lease originations of $3.8 billion in the quarter were down considerably from $5.5 billion a year ago. That was mainly driven by the lease mix declining to 16.5% from 21.3% a year ago. Leasing is down, mainly because of lower industry sales and incentive levels, which leads to less lease versus loan in the mix.

Next slide. Used car pricing remained elevated in the third quarter due to the continued low new vehicle inventory levels. However, our off-lease sales volume and return rates were at historical lows, as the majority of off-lease vehicles in the quarter were purchased at contract residual by the dealer or consumer, which, although above book value, was generally lower than current wholesale levels.

We do expect used vehicle wholesale prices to remain strong into the fourth quarter and early 2022 given the sustained low new vehicle inventory levels.

As far as our commercial lending portfolio, we continue to see nice growth in the number of U.S. dealers floorplanned. Our number reached in the U.S. 1,635 dealers, up from 1,558 at June 30, 2021. However, our dollars of our portfolio continue to decline with the low new vehicle dealer inventory. Our portfolio is now $4.4 billion, down from $8.5 billion a year ago.

Dealer profitability and liquidity remained strong despite the lower sales volume in the industry.

And finally, before I turn it over to Susan, a few words on our China joint ventures. We originated $3.3 billion of loans in our China joint ventures, about the same as the level of $3.4 billion a year ago. Our penetration levels for the SGM channel were at very high levels of 48.5% in the quarter, while SGMW levels remained about the same at 28.2%.

Our ending earning assets in the portfolio reached $21.8 billion with continued growth in our retail portfolio, offsetting declines in our wholesale portfolio.

We realized equity income of $53 million in the third quarter, up from $47 million a year ago, mainly driven by better credit performance. As you can see, our charge-offs were 30 basis points in the quarter, the same level we've attained for the last 5 quarters.

And with that, I'm going to turn it over to Susan.

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

Thanks, Dan. Turning to Slide 10 and earnings before taxes. For the third quarter 2021, we earned $1.1 billion compared to $1.2 billion a year ago. The main driver of the difference can be attributed to the increase in the provision for loan losses, which was up $110 million. This was due to the increased loan origination volume and a smaller improvement to the recovery rate outlook in September of '21 compared to the September of '20 outlook.

Maybe a few other comments I would mention would be the total revenue was down slightly. We did have growth in the retail loan portfolio. This was offset by a lower effective yield because of the higher credit quality in the portfolio and then a decline in the commercial loan portfolio due to low new inventory -- new vehicle inventory levels that Dan talked about.

The other comment I would make is with respect to interest expense. Our interest expense was down $5 million. Our effective interest rate was down 10 basis points. These benefits -- this benefit was partially offset by an increase in average debt outstanding. And also, I

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want to point out that in interest expense this quarter, we have $105 million of loss on the extinguishment of debt. We exercised a call option on $1.5 billion of senior unsecured notes that are due in March of 2023, and we expect to realize a net benefit of calling -- of exercising this option when we consider the interest rate savings through March of 2023.

Turning to Slide 11. Earnings before tax. Earnings before tax for the nine months ended September 2021 were $3.9 billion, compared to $1.7 billion a year ago. The big drivers were obviously the strong used vehicle values, driving termination gains and lower depreciation expense for the nine months, as well as lower provision for loan losses as a result of the reserve levels that were increased in the first half of 2020 at the onset of the pandemic.

Subsequent to that, we have had better-than-expected credit performance, and forecasted economic conditions have improved.

And lastly, interest expense was another big driver of the nine-month performance in 2021 due to lower effective interest rates due to tighter credit spreads.

For calendar year 2021, earnings before taxes are expected to be in the mid- to high $4 billion range.

Turning to the allowance on Slide 12. The retail allowance was up $58 million from June due to the new loan originations in the quarter, partially offset by favorable expectations for recoveries and better credit performance. It was down $73 million from September of 2020, driven by the reduction in loan loss reserves at the onset of the pandemic that I talked about and better-than-expected credit performance and forecasted economic conditions.

Of note, the retail allowance as a percentage was flat from June to September at 3.2%, but down from 4% a year ago.

Turning to the balance sheet on Slide 13. Ending earning assets were $101.5 billion, up $5 billion from a year ago, really driven by the increase in our retail loan. Those increased by $8.7 billion and represent now 57% of our total ending earning assets. This growth was offset, as Dan has mentioned earlier, by lower commercial loan balances due to the low new inventory levels.

Total debt was $92.1 billion, up $3.3 billion from a year ago. Our unsecured debt as a percentage of total debt was 59%, well above our target of at least 50%.

Available liquidity was $29.5 billion, up from year-end and slightly up from a year ago.

Our liquidity levels exceed our target level of time to require funding of at least six months, and this is to support cash needs for the business, including planned originations.

Turning to Slide 14, and our capital position is in really great shape. Tangible equity was $13.4 billion, up from $12.4 billion at the end of December and $11.4 billion a year ago. This is obviously driven by the strong earnings that we've talked about, offset by the $1.8 billion of dividends that we've paid to GM in the first nine months of this year.

Our leverage ratio was 7.43x, down pretty significantly from a year ago, again, driven by the strong earnings. And again, we have sufficient capital to support the growth of the balance sheet as well as navigate across economic cycles.

As a result of the strong earnings, you can see that our return on tangible -- average tangible common equity is well above our target level returns of low to mid-teens.

Turning to funding activity, on Slide 15. We were very busy in the quarter. We issued $7.5 billion in public and private debt securities; $3.2 billion in public securitization, which included our inaugural GMREV transaction, which is our first revolving ABS transaction off our prime loan platform; $1.6 billion in unsecured debt; $2.7 billion in private securitizations; and $3.5 billion in public secured and unsecured debt subsequent to quarter end. So we're really very much on track for our calendar year issuance noted on the last column here of $24 billion to $27 billion.

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Importantly, we've got $26.9 billion in committed credit facilities at the end of the quarter provided by 26 banks. And of that, we renewed $2.3 billion in the quarter.

So in summary, as Dan said at the outset, the third quarter and our year-to-date performance has really been very strong and completely evident of our execution of our captive strategy.

So with that, I'd like to thank you for your interest in GM Financial.

Now I'd like to turn the call back to Steve.

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

Thank you, Susan. This concludes GM Financial's Third 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.

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