



GM FINANCIAL

# Strategic and Operational Overview

August 11, 2020

2021 Chevrolet Tahoe Z71



# Safe Harbor Statement

This presentation contains several “forward-looking statements.” Forward-looking statements are those that use words such as “believe,” “expect,” “intend,” “plan,” “may,” “likely,” “should,” “estimate,” “continue,” “future” or “anticipate” and other comparable expressions. These words indicate future events and trends. Forward-looking statements are our 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 risks are detailed from time to time in our filings and reports with the Securities and Exchange Commission, including our annual report on Form 10-K for the year ended December 31, 2019 and our subsequent quarterly reports on Form 10-Q. Such risks include - but are not limited to - the length and severity of the COVID-19 pandemic; GM's ability to sell new vehicles that we finance in the markets we serve; dealers' effectiveness in marketing our financial products to consumers; the viability of GM-franchised dealers that are commercial loan customers; the sufficiency, availability and cost of sources of financing, including credit facilities, securitization programs and secured and unsecured debt issuances; the adequacy of our underwriting criteria for loans and leases and the level of net charge-offs, delinquencies and prepayments on the loans and leases we purchase or originate; our ability to effectively manage capital or liquidity consistent with evolving business or operational needs, risk management standards and regulatory or supervisory requirements; the adequacy of our allowance for loan losses on our finance receivables; our ability to maintain and expand our market share due to competition in the automotive finance industry from a large number of banks, credit unions, independent finance companies and other captive automotive finance subsidiaries; changes in the automotive industry that result in a change in demand for vehicles and related vehicle financing; the effect, interpretation or application of new or existing laws, regulations, court decisions and accounting pronouncements; adverse determinations with respect to the application of existing laws, or the results of any audits from tax authorities, as well as changes in tax laws and regulations, supervision, enforcement and licensing across various jurisdictions; the prices at which used vehicles are sold in the wholesale auction markets; vehicle return rates, our ability to estimate residual value at the inception of a lease and the residual value performance on vehicles we lease; interest rate fluctuations and certain related derivatives exposure; our joint ventures in the Asia/Pacific region, which we cannot operate solely for our benefit and over which we have limited control; changes in the determination of LIBOR and other benchmark rates; our ability to secure private customer and employee data or our proprietary information, manage risks related to security breaches and other disruptions to our networks and systems and comply with enterprise data regulations in all key market regions; foreign currency exchange rate fluctuations and other risks applicable to our operations outside of the U.S.; and changes in local, regional, national or international economic, social or political conditions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. It is advisable not to place undue reliance on any forward-looking statements. We undertake no obligation to, and do not, publicly update or revise any forward-looking statements, except as required by federal securities laws, whether as a result of new information, future events or otherwise.

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# Deliver Strategic and Financial Value to General Motors

## Captive Value Proposition



Drive Vehicle Sales



Enhance Customer Experience and Loyalty



Provide Support Across Economic Cycles



Contribute to Enterprise Profitability

Operations cover ~**90%** of GM's  
worldwide sales

>**6.5 million** retail contracts  
outstanding

Offering auto finance products to  
**14,000** dealers worldwide

Earning assets of **\$94.0B**

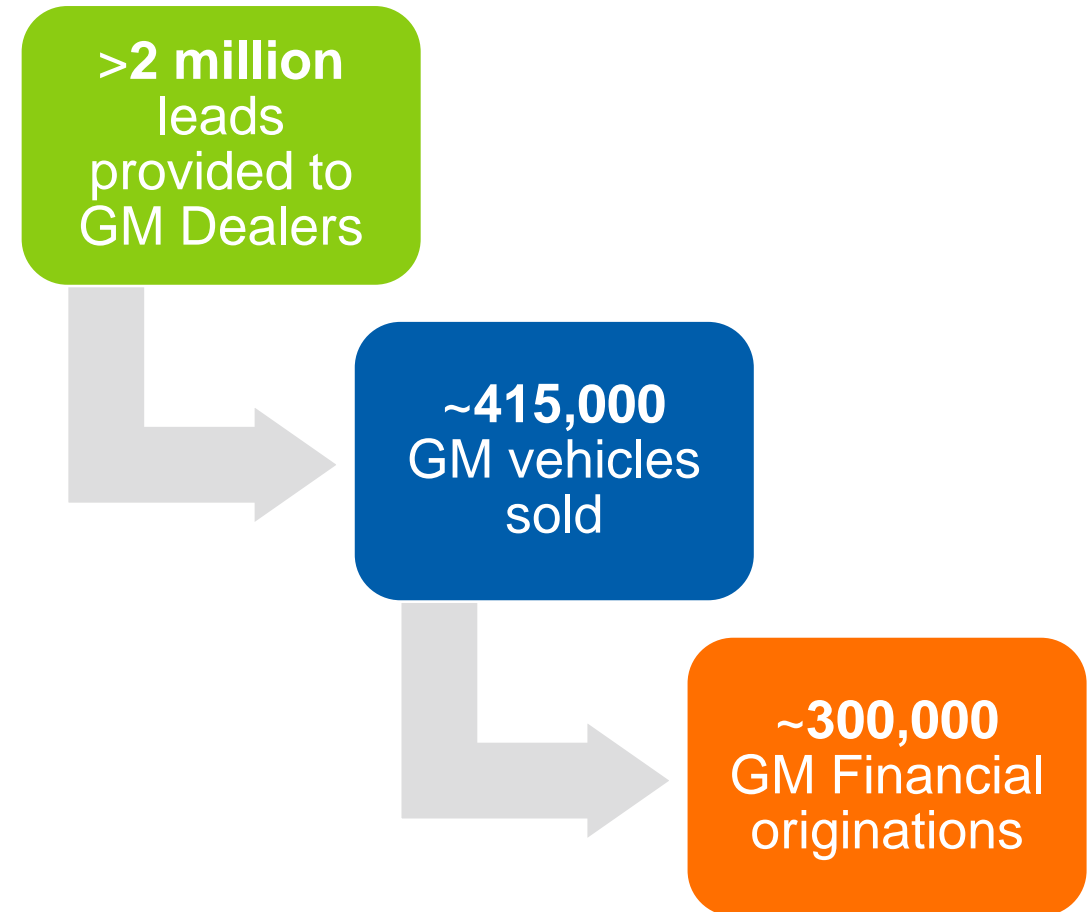


# Drive Vehicle Sales

- ✓ Offer competitive, comprehensive suite of finance products and services to customers and dealers
- ✓ Support GM's go-to-market strategies
- ✓ Enhance dealer sales through lead generation programs and underwriting depth
- ✓ Participate in enterprise strategic initiatives (e.g., leasing electric vehicles and financing autonomous fleets)

## Q2 2020:

- U.S. retail penetration of 53% driven by GM incentive strategies and strong dealer engagement with GM Financial
  - Increased share of GM New loans offset by lower lease originations due to COVID-19 impact on key lease markets



# Enhance Customer Experience and Loyalty



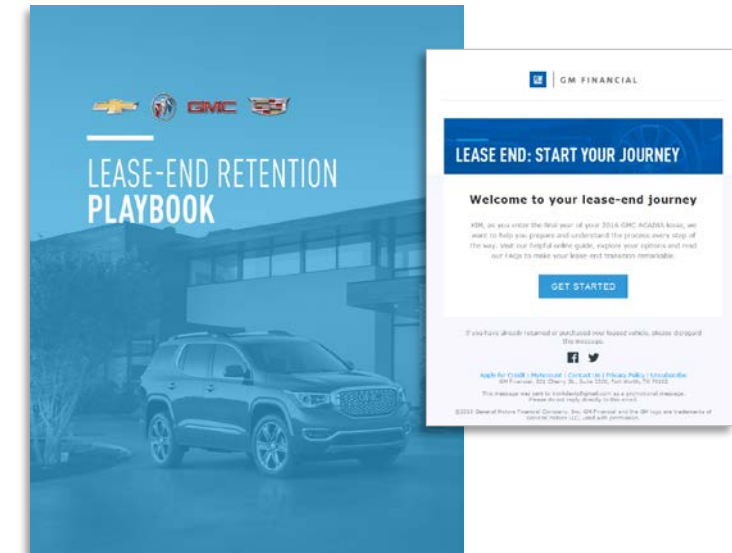
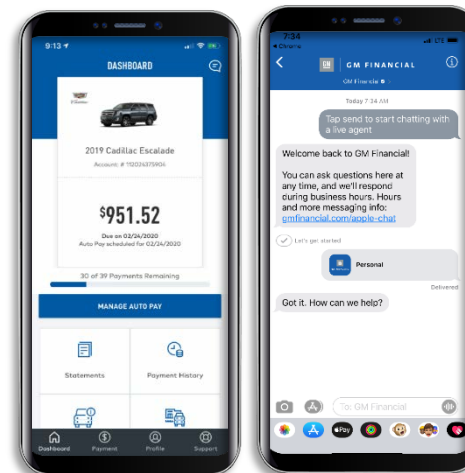
- ✓ Strong loyalty supports sales and earnings for GM
- ✓ Integrated GM/GM Financial customer relationship management activities
- ✓ Customer-centric, multi-channel servicing approach leads to high customer satisfaction
- ✓ Personalized end-of-lease term experience designed to inform customer and increase likelihood of purchasing another GM vehicle

## Q2 2020:

- Accelerated toward goal of 50% customer interactions through digital channels (i.e., messaging/chat)
- Provided payment deferrals and lease contract extensions to support customers affected by COVID-19
  - Positive impact to delinquency metrics as accounts generally brought current through deferment process
  - Strong payment performance post-deferral



For the fourth consecutive year, GM Financial is #1 in manufacturer loyalty<sup>1</sup>



1. Based on CY 2019 IHS Markit Return to Market Manufacturer Loyalty. Data based on disposal methodology and GM custom segmentation in the U.S.

# Provide Support Across Economic Cycles

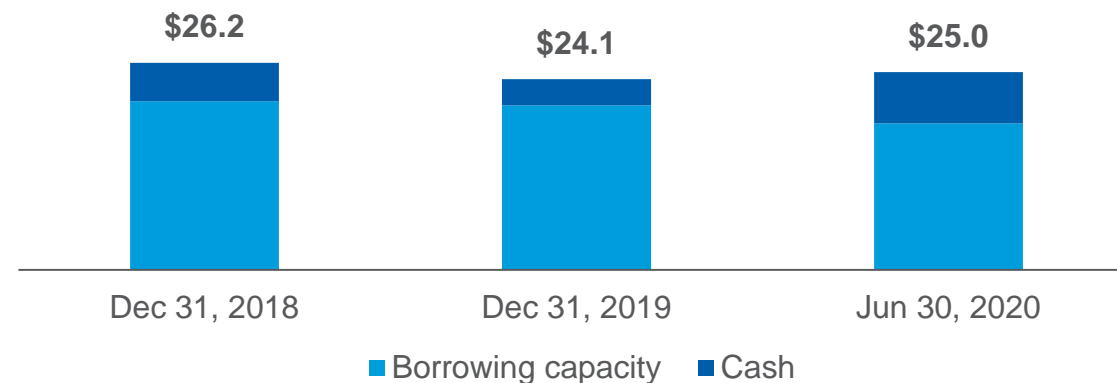


- ✓ Liquidity in line with target to support at least six months of cash needs without access to capital markets
- ✓ Leverage ratio managed within target of ~10x
- ✓ Commitment to investment grade rating; diversified funding plan with unsecured debt mix ~50%
- ✓ Leadership team experienced at navigating through multiple economic cycles

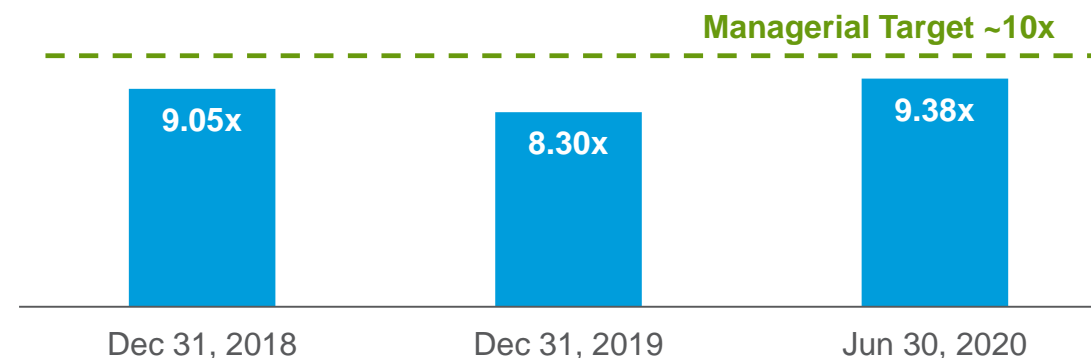
## Q2 2020:

- Leverage impacted by dividend payment to GM, adoption of CECL accounting standard and change in Other Comprehensive Loss driven by FX translation adjustment
- Capital sufficient to absorb \$1.8B of negative earnings without exceeding Support Agreement leverage ratio limit of 11.5x
  - Supports doubling of both net charge-offs and used vehicle price declines from current expectations before requiring capital from GM

## Available Liquidity (\$B)



## Leverage Ratio<sup>1</sup>



1. Calculated consistent with GM/GM Financial Support Agreement, filed with the Securities and Exchange Commission as an exhibit to our Current Report on Form 8-K dated April 18, 2018

# Contribute to Enterprise Profitability



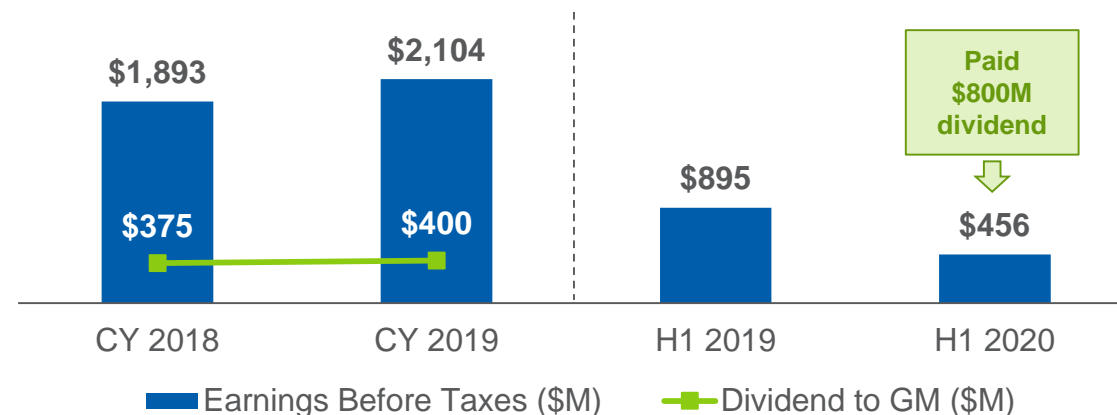
- ✓ Prudent credit and residual management
- ✓ Steady state earnings target of ~\$2.5B annually
- ✓ Paid \$400M dividend to GM in Q2 2020
- ✓ Standalone return on average tangible common equity target of low-mid teens

## Q2 2020:

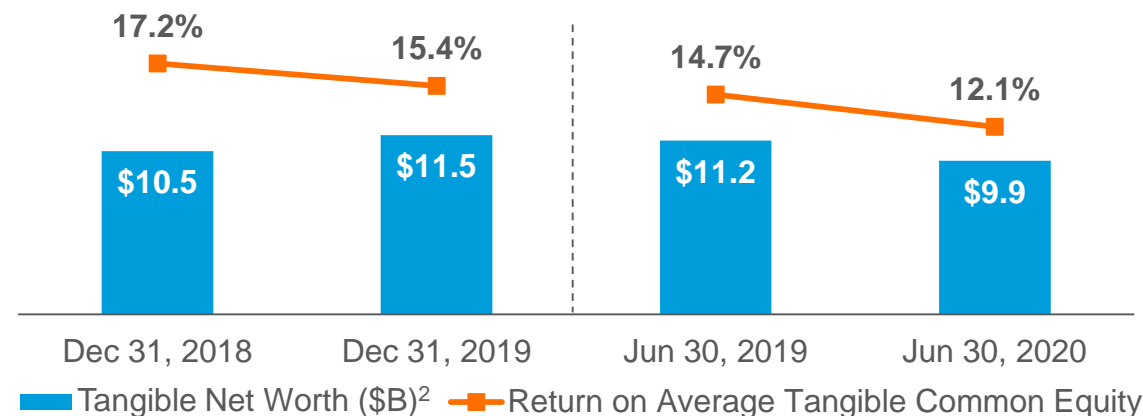
- Earnings of \$226M down year-over-year due to higher provision expense and accelerated depreciation expense due to expected lower residual values, both associated with economic impact of COVID-19
- Expect higher credit provision and accelerated depreciation for the remainder of 2020

1. Defined as net income attributable to common shareholder for the trailing four quarters divided by average tangible common equity for the same period; see Appendix for reconciliation to the most directly comparable GAAP measure  
 2. Total shareholders' equity less goodwill

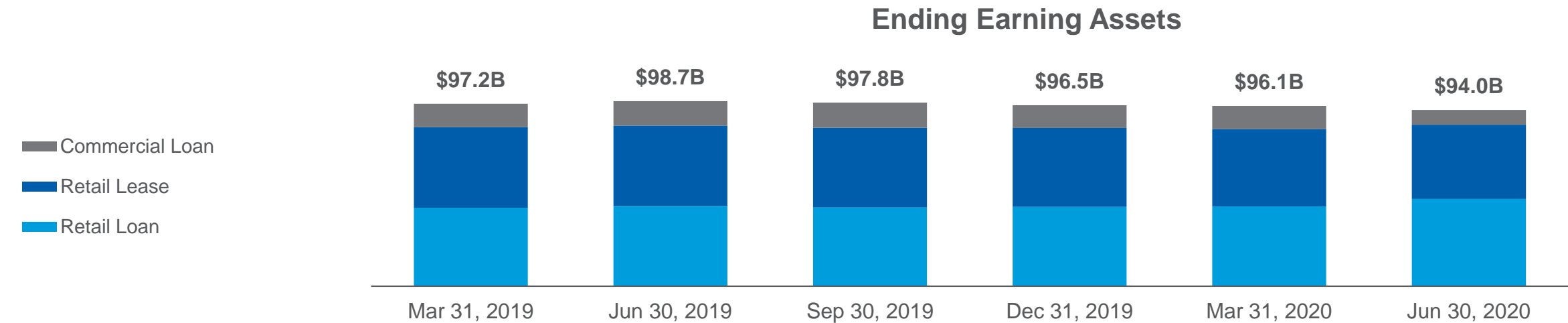
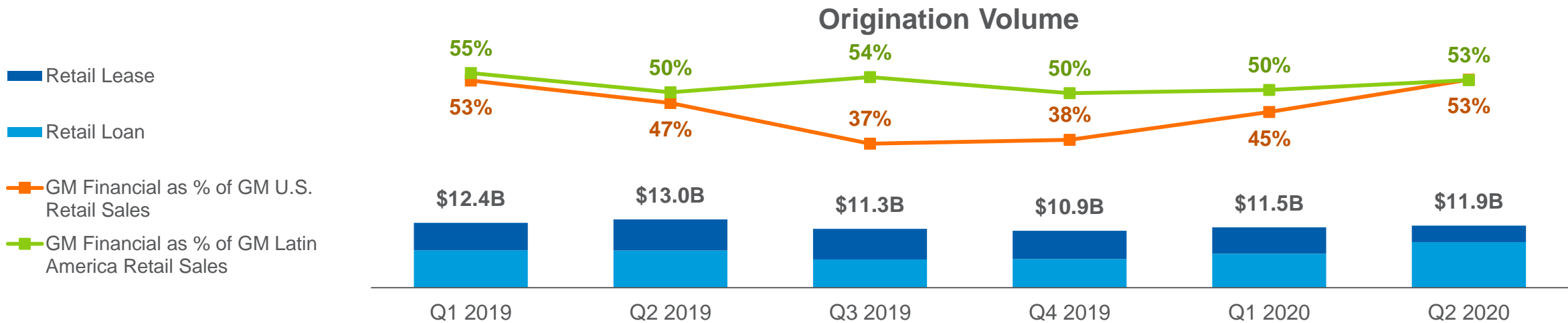
## Earnings Before Taxes and Dividends



## Return on Average Tangible Common Equity<sup>1</sup>



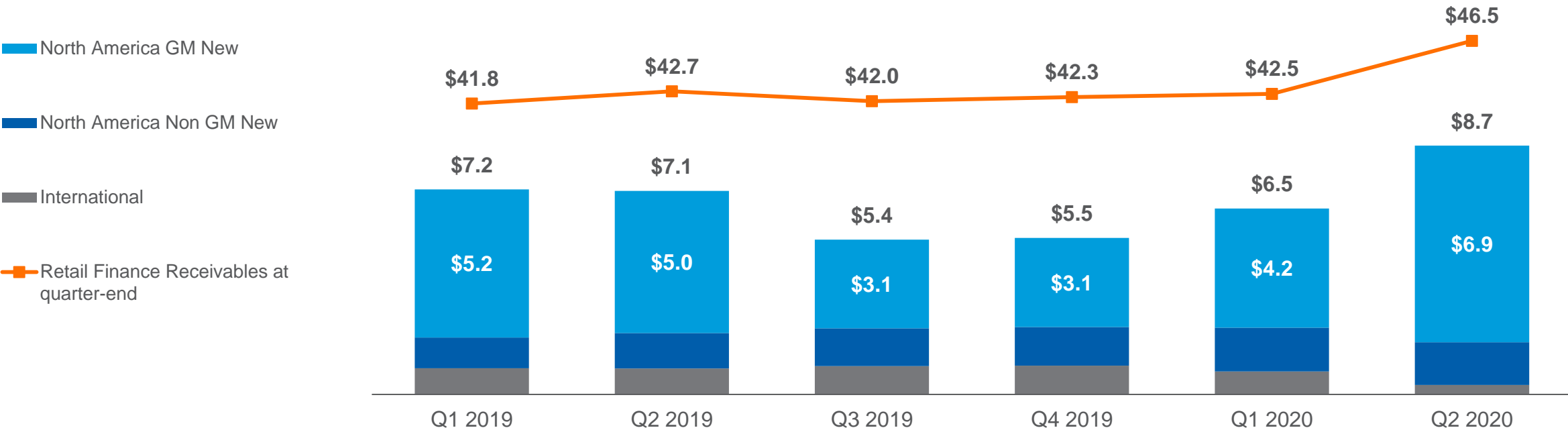
# Operating Metrics





# Retail Loan

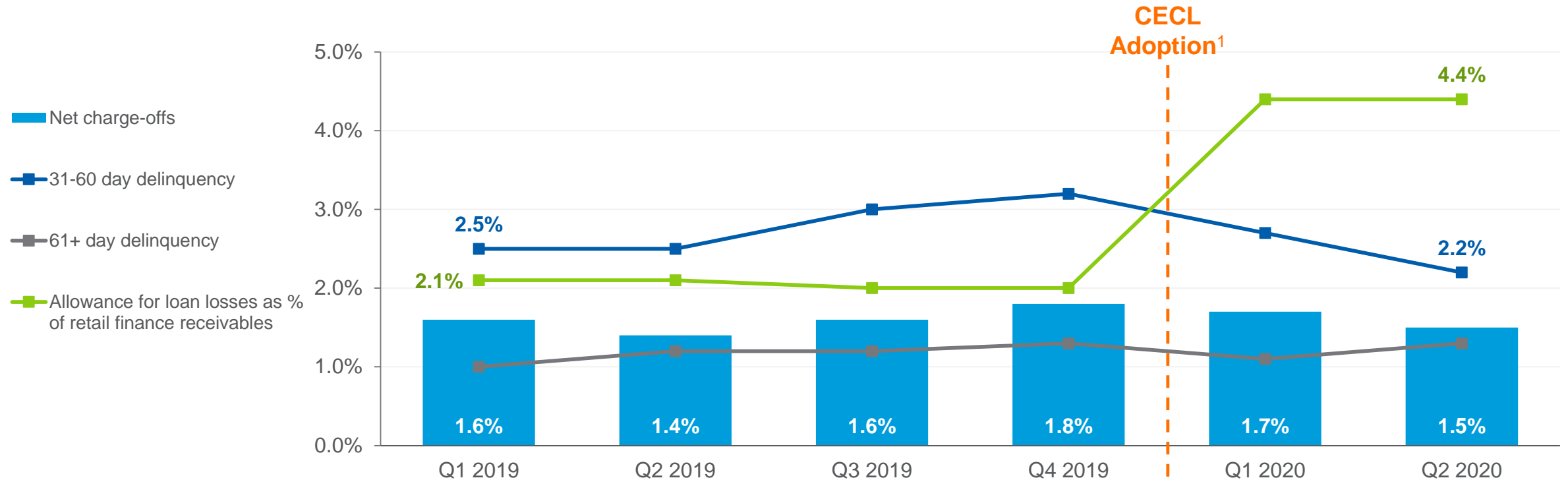
## Originations and Portfolio Balance (\$B)



U.S. Weighted Avg. FICO Score at Origination	737	729	702	694	707	748
Outstanding Contracts (000s)	2,652	2,678	2,661	2,657	2,692	2,749

- Record quarterly North America GM New loan originations driven by various 0% financing offers and strong dealer engagement with GM Financial

# Retail Loan Credit Performance

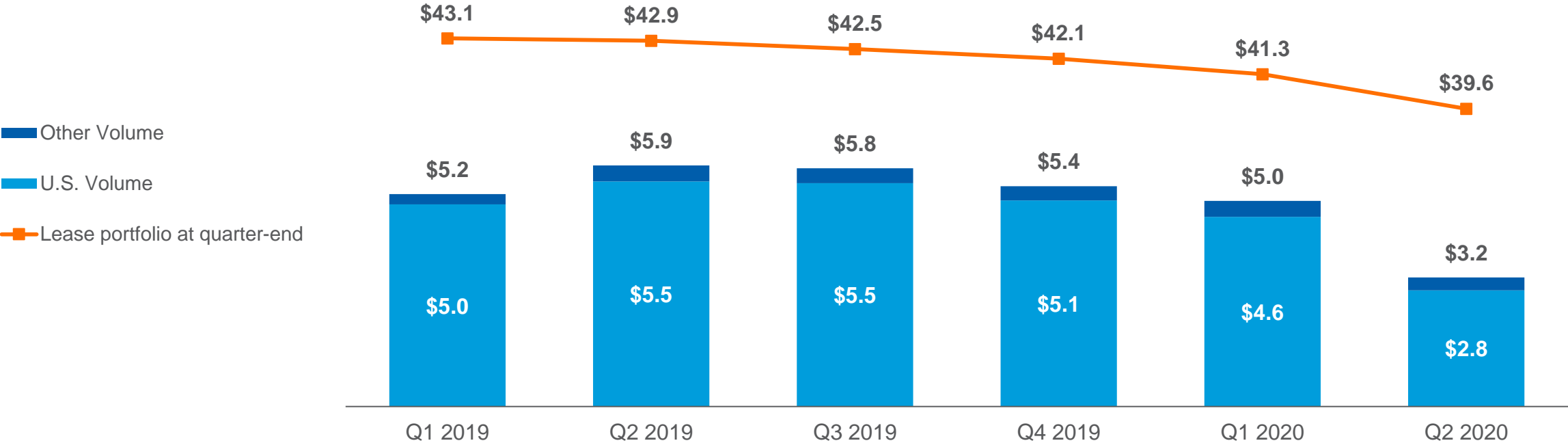


- **Early stage delinquency rates in U.S. declined from Q1 2020 due primarily to government stimulus, lower consumer spending and GM Financial customer support programs**
  - Approximately 127,000, or 6.7%, of U.S. customers received a payment deferral between March 17 and June 30; as of July 26, 80% made a payment, 14% were at least one day past due, 1% received another deferral, and 5% have a due date beyond July 26
- **Retail credit metrics expected to weaken in H2 2020 with annual net charge-offs in the range of 2.0-2.5%**

1. Effective January 1, 2020, adopted current expected credit loss (CECL) model resulting in a one-time increase of \$801M to the allowance for loan losses on the existing portfolio

# Retail Lease

Originations and Portfolio Balance (\$B)

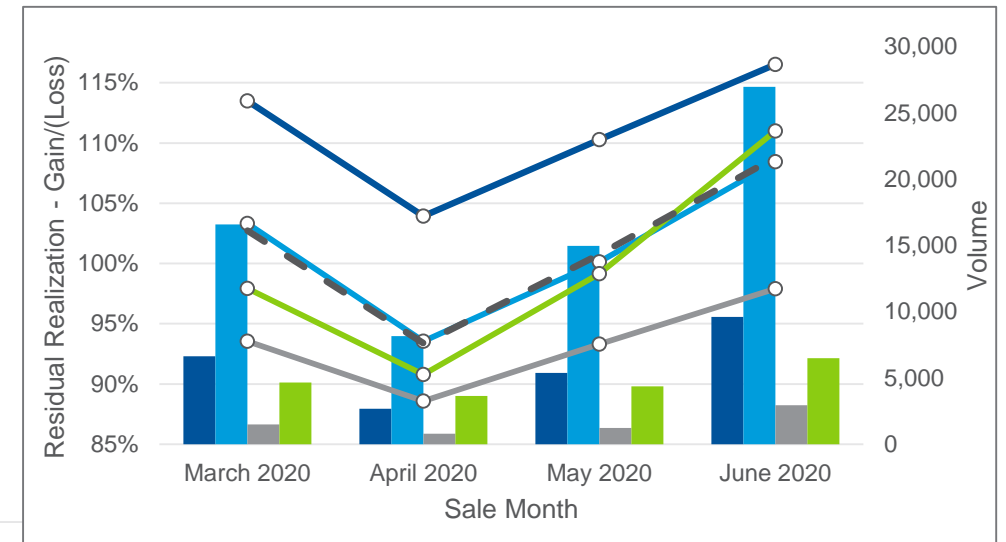
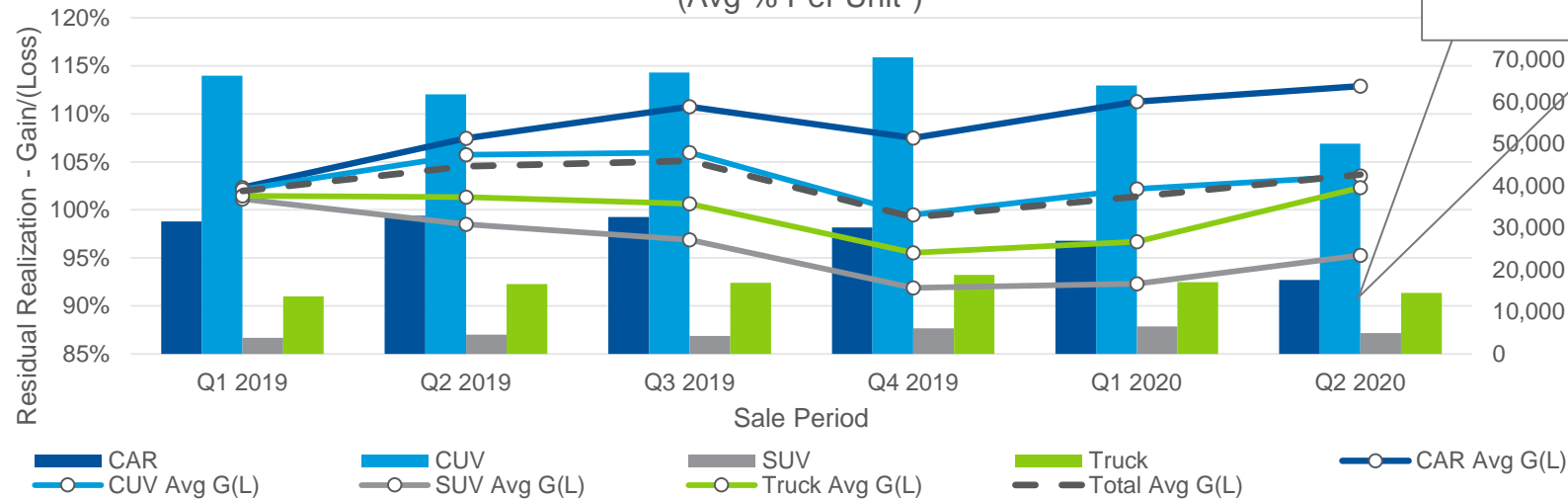


GM Type of U.S. Sale – Lease <sup>1</sup>	26%	24%	23%	24%	23%	18%
U.S. Weighted Avg. FICO Score at Origination	772	774	775	776	776	778
Total Return Rate	75%	75%	72%	77%	76%	78%
Outstanding Contracts (000s)	1,687	1,668	1,638	1,606	1,585	1,528

1. Lease as a percentage of GM U.S. retail sales mix (Source: J.D. Power and Associates' Power Information Network PIN)

# U.S. Residual Value

U.S. GMF Gross Proceeds vs. ALG Residuals at Origination<sup>1</sup>  
Q1 2019 – Q2 2020 Sales  
(Avg % Per Unit<sup>2</sup>)



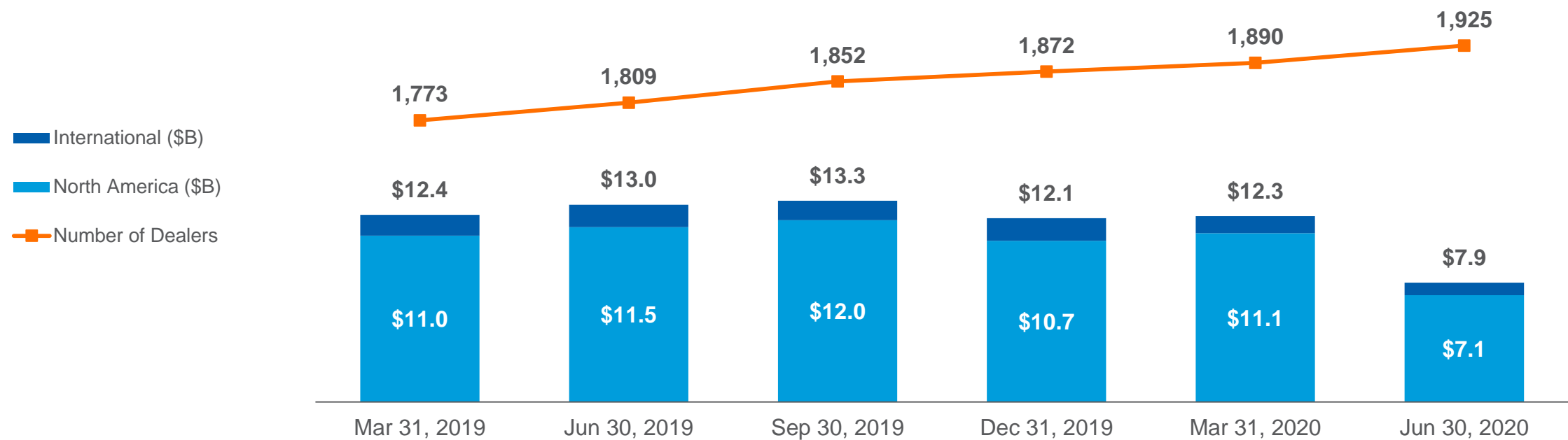
- Expect weaker used vehicle values in H2 due to anticipated increases in vehicle supply, lower demand, weaker overall economic conditions, and historical seasonal weakness in used vehicle pricing
- Accelerated depreciation expense in 2020 consistent with industry expectation of 6-8% decline in used vehicle prices year-over-year

1. Based on average condition ALG residual with mileage modifications  
2. Reflects average gain/(loss) per unit on vehicles returned to GM Financial and sold in the period



# Commercial Loan

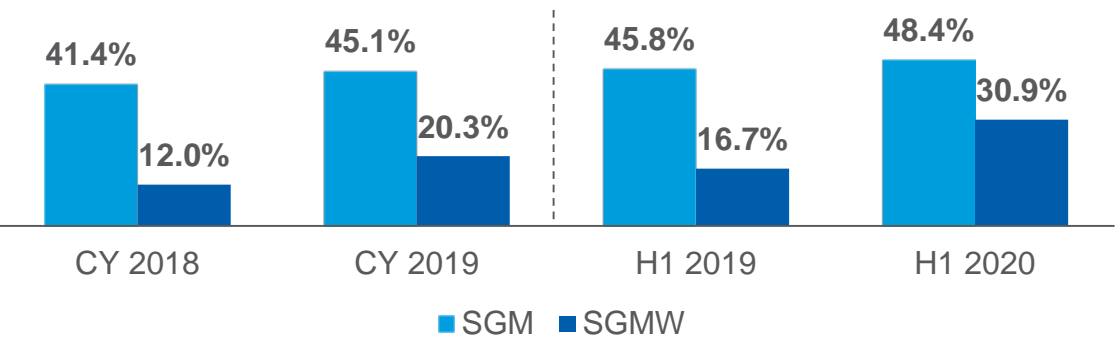
Commercial Finance Receivables Portfolio



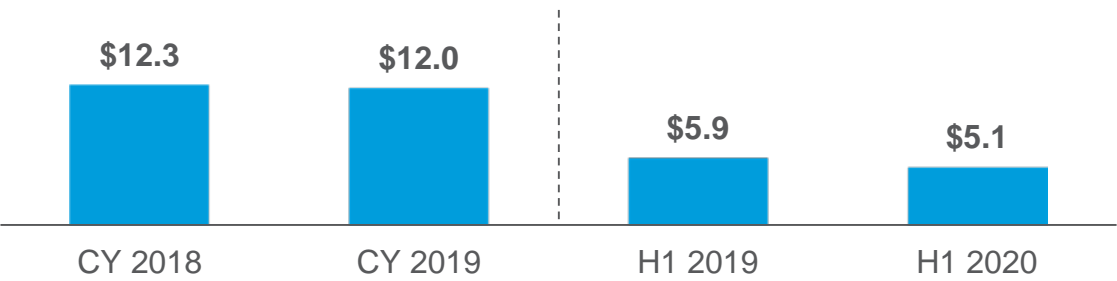
U.S. Wholesale Dealer Penetration	26.0%	27.0%	28.1%	28.8%	29.4%	30.3%
U.S. Floorplan Dealers	1,151	1,190	1,238	1,262	1,290	1,330

# China Joint Ventures

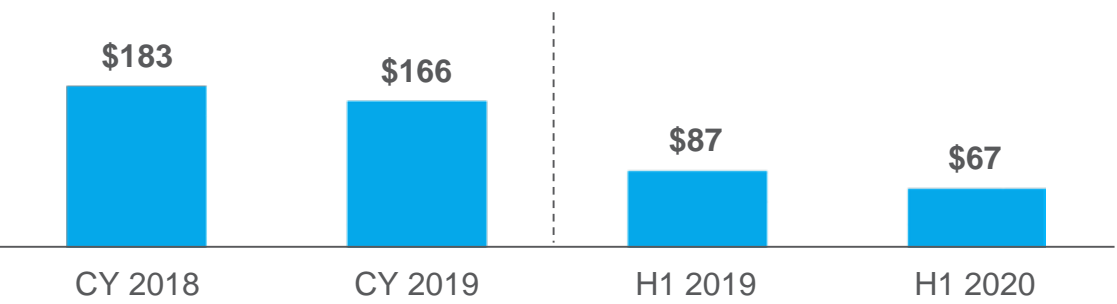
China JVs as % of Retail Sales



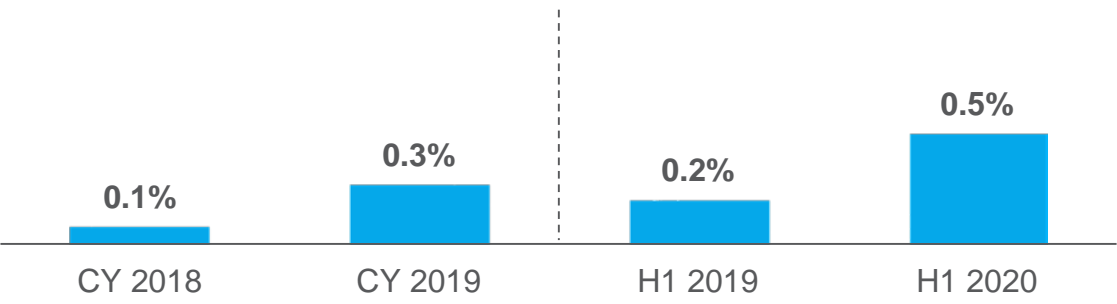
Retail Origination Volume (\$B)



Equity Income (\$M)



Net Charge-offs on Loans

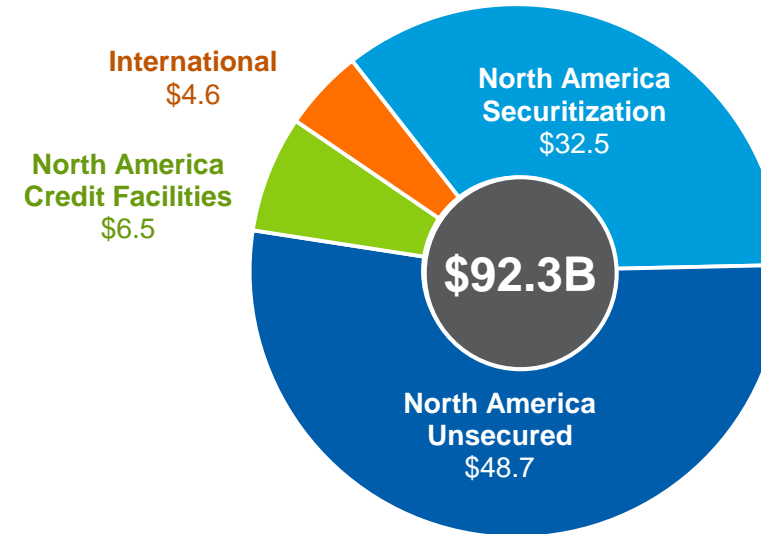


- General Motors' China retail market share for Q2 2020 was 11.4%
- Joint venture earning assets of \$18.4B at June 30, 2020
- Equity income down due to impact of COVID-19 on origination volumes and credit performance, although experienced signs of recovery the second quarter

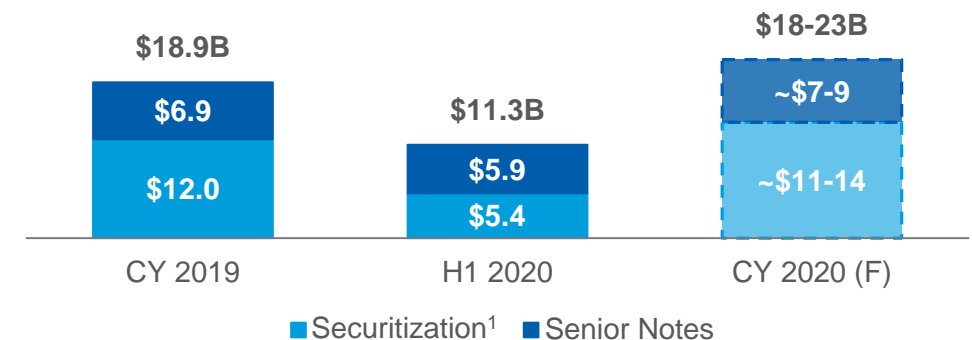
# Global Funding Platform

- Strategy to fund locally with flexibility to issue globally to support U.S. balance sheet
- Target ~50% unsecured debt mix
  - 56% at June 30, 2020
- Global senior notes platform issuing across multiple currencies
  - Issued \$3.5B in the U.S. and C\$400M in Canada in Q2 2020
- Five securitization platforms in North America, segregated by asset type and geography
  - Closed \$2.0B across U.S. prime loan and lease platforms in Q2 2020
  - Subsequent to quarter-end, issued \$1.0B off U.S. subprime loan platform
- Committed credit facilities of \$25.9B provided by 27 banks at June 30, 2020

Total Debt Outstanding  
June 30, 2020



Public Debt Issuances



1. Includes Rule 144a transactions

# Financial Support from GM

- Support Agreement between GM and GM Financial solidifies GM Financial as core component of GM's business and strengthens ability to support GM's strategy
- Requires 100% voting ownership of GM Financial by GM as long as GM Financial has unsecured debt securities outstanding
- Augments GM Financial's liquidity position through \$1.0B junior subordinated unsecured credit line from GM, and exclusive access to \$2.0B, 364-day tranche of GM's Revolving Credit Facility
- Establishes leverage limits and provides capital support if needed
  - Leverage limits (Net Earning Assets divided by Adjusted Equity; including any amount outstanding on the Junior Subordinated Revolving Credit Facility) above the thresholds triggers funding request from GM Financial to GM<sup>1</sup>

*Leverage limit of 11.5x at June 30, 2020; increases to 12.0x when Net Earning Assets exceed \$100B*

1. Measured at each calendar quarter



# Committed to Investment Grade

- GM targeting performance consistent with “A” ratings criteria
- GM Financial ratings aligned with GM’s rating; currently investment grade with all agencies
- Investment grade rating critical for captive strategy execution

Current Ratings	GM			GM Financial			
	Company Rating	Bond Rating	Outlook	Company Rating	Bond Rating	ST Rating	Outlook
DBRS Morningstar	BBB	N/A	Negative	BBB	BBB	R-2 (middle)	Negative
Fitch	BBB-	BBB-	Stable	BBB-	BBB-	F-3	Stable
Moody’s	I.G.	Baa3	Negative	Baa3	Baa3	P-3	Negative
Standard and Poor’s	BBB	BBB	Negative	BBB	BBB	A-2	Negative

# General Motors Sustainability

Committed to enterprise-wide integration of ESG principles

## Environment



## Social



## Governance



- **Strategy to deliver safer, simpler and more sustainable transportation solutions in a world with zero crashes, zero emissions and zero congestion**
  - Environmental focus on sustainable materials, zero waste, carbon, energy and water
  - Evolution of EV portfolio to reduce carbon impact while using big data to keep drivers safe
- **Sharp focus on philanthropic investments that create smart, safe and sustainable communities around the world**
  - Framework allowing GM to measure positive social change aligned to business objectives
  - Goals of STEM education, vehicle and road safety and community development aligned to UN Sustainable Development Goals
  - Inclusion Advisory Board comprised of internal and external leaders to further advance diversity and inclusion in the workplace
- **Led by diverse Board of Directors committed to sound corporate governance structure and policies that create long-term value**

### GM SUSTAINABILITY REPORT

For more information, visit [www.gmsustainability.com](http://www.gmsustainability.com)



TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES



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**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



# Key Strengths

## Strategic Interdependence with GM

- General Motors' global captive finance company covering ~90% of worldwide sales
- Comprehensive suite of product offerings for consumers and dealer customers
- Collaborative go-to-market strategies with GM
- Customer experience strategy focused on leading manufacturer loyalty and customer retention levels

## Solid Global Funding Platform

- Enterprise commitment to investment grade rating
- Diversified funding platform supported by long-standing bank partnerships; committed credit facilities from 27 banks
- Well-established ABS and unsecured debt issuance programs

## Strong Balance Sheet and Financial Performance

- Appropriate liquidity and strong balance sheet provide support across economic cycles
- Excess capital to sustain negative earnings of \$1.8B without exceeding Support Agreement leverage ratio limit
- Long-term profitability and dividend support in steady state

## Experienced and Seasoned Management Team

- Leadership team experienced at managing through economic cycles
- Average of 20+ years in the automotive finance industry

# Appendix

## Return on Average Common Equity

	Four Quarters Ended			
	Dec 31, 2018	Dec 31, 2019	Jun 30, 2019	Jun 30, 2020
Net income attributable to common shareholder	\$1,504	\$1,477	\$1,351	\$1,143
Average equity	11,049	12,270	11,722	12,078
Less: average preferred equity	(1,136)	(1,477)	(1,363)	(1,477)
Average common equity	9,913	10,793	10,359	10,601
Less: average goodwill	(1,192)	(1,186)	(1,187)	(1,179)
Average tangible common equity	\$8,721	\$9,607	\$9,172	\$9,422
Return on average common equity	15.2%	13.7%	13.0%	10.8%
Return on average tangible common equity <sup>1</sup>	17.2%	15.4%	14.7%	12.1%

1. Defined as net income attributable to common shareholder for the trailing four quarters divided by average tangible common equity for the same period





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2021 Buick Envision