State of the Automotive Finance Market
Fourth Quarter 2015

Melinda Zabritski
Sr. Director | Financial Solutions
Session overview

Originations
- New and Used financing
- Lender and transaction types
- Loan characteristics

Market overview
- Outstanding balances
- Total risk distributions
  - Delinquency
## Credit score ranges

<table>
<thead>
<tr>
<th>Category</th>
<th>Score Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super prime</td>
<td>781 – 850</td>
</tr>
<tr>
<td>Prime</td>
<td>661 – 780</td>
</tr>
<tr>
<td>Nonprime</td>
<td>601 – 660</td>
</tr>
<tr>
<td>Subprime</td>
<td>501 – 600</td>
</tr>
<tr>
<td>Deep subprime</td>
<td>300 – 500</td>
</tr>
</tbody>
</table>
Originations

New and used lending
Growing reliance upon financing

Percentage of vehicles with financing

Q4 2010: 81.4% New, 50.9% Used
Q4 2011: 82.2% New, 53.3% Used
Q4 2012: 82.1% New, 52.8% Used
Q4 2013: 83.7% New, 53.5% Used
Q4 2014: 84.0% New, 55.2% Used
Q4 2015: 85.9% New, 54.7% Used

Source: Experian Automotive
Percentage of used model year vehicles without loans

62.8% of all vehicles financed in Q4 2015 were used

Source: Experian Automotive
Leasing and consumer credit

Lease by vehicle type
- New: 96.2%
- Used: 3.8%

Average lease scores
- Q4 2014:
  - New: 717
  - Used: 624
- Q4 2015:
  - New: 715
  - Used: 635

New leasing by risk segment
- Q4 2014:
  - Deep subprime: 17.15%
  - Subprime: 6.93%
  - Prime: 48.75%
  - Super prime: 26.75%
- Q4 2015:
  - Deep subprime: 17.69%
  - Subprime: 7.78%
  - Prime: 47.84%
  - Super prime: 26.15%

Source: Experian Automotive
Top 10 new models based on share of the new lease market

Source: Experian Automotive

* Silverado 1500

©2016 Experian Information Solutions, Inc. All rights reserved. Experian Public.
Average score comparison on top new leased models

Source: Experian Automotive
Average new lease characteristics

Average monthly payment

Term distribution

Average term = 36 months

Source: Experian Automotive
Average payment comparison on top new leased models

Source: Experian Automotive

©2016 Experian Information Solutions, Inc. All rights reserved.
Experian Public.
Automotive finance by lender type

Q4 2015 total loan market share

- Finance: 13.34%
- Captive: 27.4%
- BHPH: 6.2%
- Credit Union: 17.6%
- Bank: 35.8%

YOY change in market share

- Finance: -3.9%
- Credit Union: -1.2%
- Captive: 2.7%
- BHPH: -9.7%
- Bank: 2.0%

Source: Experian Automotive
Automotive finance by lender type

Q4 2015 market share by lender type

- New loan:
  - Bank: 35.1%
  - BHPH: 0.2%
  - Captive: 11.5%
  - Credit Union: 35.8%
  - Finance: 4.9%

- Used loan:
  - Bank: 49.8%
  - BHPH: 24.0%
  - Captive: 7.3%
  - Credit Union: 21.4%
  - Finance: 10.1%

YOY Change in market share

- Bank:
  - New: 1.8%
  - Used: 0.6%

- BHPH:
  - New: 0.6%
  - Used: 0.6%

- Captive:
  - New: -5.7%
  - Used: -8.1%

- Credit Union:
  - New: 2.1%
  - Used: -8.7%

- Finance:
  - New: 3.6%

Source: Experian Automotive
Top 20 lenders in the retail loan market

Top 20 represent 48.5% of all retail loans

Source: Experian Automotive
Top 20 lenders in the NEW retail loan market

Top 20 represent 87.9% of all new retail loans

Source: Experian Automotive
Top 20 lenders in the USED retail loan market

Top 20 represent 39.1% of all used retail loans

Source: Experian Automotive
Average loan credit scores by vehicle type

Source: Experian Automotive
Automotive loans by risk segment

New loans

Q4 2014

- Super prime: 10.08%
- Prime: 43.80%
- Nonprime: 17.41%
- Subprime: 0.68%
- Deep subprime: 0.78%

Q4 2015

- Super prime: 10.07%
- Prime: 43.15%
- Nonprime: 17.69%
- Subprime: 0.78%
- Deep subprime: 0.68%

Used loans

Q4 2014

- Super prime: 10.86%
- Prime: 34.24%
- Nonprime: 21.93%
- Subprime: 27.15%
- Deep subprime: 5.82%

Q4 2015

- Super prime: 11.07%
- Prime: 34.41%
- Nonprime: 22.28%
- Subprime: 26.61%
- Deep subprime: 5.63%

Source: Experian Automotive
Risk distribution by lender type

**Risk distribution of market share**

- **Bank**: 21.3% Deep subprime, 44.7% Subprime, 12.8% Prime, 0.8% Super prime, 12.3% Nonprime
- **BHPH**: 20.1% Deep subprime, 48.0% Subprime, 12.4% Prime, 1.0% Super prime, 11.3% Nonprime
- **Captive**: 19.1% Deep subprime, 41.1% Subprime, 12.4% Prime, 0.9% Super prime, 11.3% Nonprime
- **Credit Union**: 22.9% Deep subprime, 47.2% Subprime, 11.3% Prime, 0.9% Super prime, 11.3% Nonprime
- **Finance**: 11.3% Deep subprime, 54.2% Subprime, 11.3% Prime, 0.9% Super prime, 11.3% Nonprime

**YOY change in highest risk (<600) segment**

- **Bank**: 1.5%
- **BHPH**: -3.1%
- **Captive**: -4.2%
- **Credit Union**: 7.3%
- **Finance**: -1.0%

Source: Experian Automotive
Risk distribution by lender type

**Percentage of financing in highest risk segments (<600)**

- **Finance**
  - Used: 70.0%
  - New: 39.2%

- **Credit Union**
  - Used: 14.1%
  - New: 6.9%

- **Captive**
  - Used: 19.3%
  - New: 11.6%

- **BHPH**
  - Used: 68.4%

- **Bank**
  - Used: 16.4%
  - New: 9.5%

**YOY change (bps) in highest risk segments**

- **Bank**
  - New: 48 bps
  - Used: 7 bps

- **BHPH**
  - New: 162 bps
  - Used: -222 bps

- **Captive**
  - New: -74 bps
  - Used: 66 bps

- **Credit Union**
  - New: 32 bps
  - Used: 117 bps

Source: Experian Automotive
Average financing by risk segment on new and used vehicle loans

**Average amount financed**

<table>
<thead>
<tr>
<th></th>
<th>New</th>
<th>Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deep subprime</td>
<td>$28,381</td>
<td>$18,411</td>
</tr>
<tr>
<td>Subprime</td>
<td>$29,551</td>
<td>$29,551</td>
</tr>
<tr>
<td>Prime</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Nonprime</td>
<td>$18,850</td>
<td>$18,850</td>
</tr>
<tr>
<td>Super Prime</td>
<td>$25,711</td>
<td>$25,711</td>
</tr>
</tbody>
</table>

**Average new amount financed**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2014</th>
<th>Q4 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deep subprime</td>
<td>$26,858</td>
<td>$26,858</td>
</tr>
<tr>
<td>Subprime</td>
<td>$31,147</td>
<td>$31,147</td>
</tr>
<tr>
<td>Prime</td>
<td>$31,008</td>
<td>$31,008</td>
</tr>
<tr>
<td>Nonprime</td>
<td>$30,105</td>
<td>$30,105</td>
</tr>
<tr>
<td>Super Prime</td>
<td>$25,711</td>
<td>$25,711</td>
</tr>
</tbody>
</table>

**Average used amount financed**

<table>
<thead>
<tr>
<th></th>
<th>Q4 2014</th>
<th>Q4 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deep subprime</td>
<td>$14,022</td>
<td>$14,022</td>
</tr>
<tr>
<td>Subprime</td>
<td>$16,071</td>
<td>$16,071</td>
</tr>
<tr>
<td>Nonprime</td>
<td>$18,832</td>
<td>$18,832</td>
</tr>
<tr>
<td>Prime</td>
<td>$20,486</td>
<td>$20,486</td>
</tr>
<tr>
<td>Super Prime</td>
<td>$19,872</td>
<td>$19,872</td>
</tr>
</tbody>
</table>

Source: Experian Automotive
Average payments by risk segment on new and used vehicle loans

Average monthly payment

- **New**:
  - Q4 2014: $482
  - Q4 2015: $493
  - Increase: $11

- **Used**:
  - Q4 2014: $355
  - Q4 2015: $359
  - Increase: $4

Average new monthly payment

- **Super Prime**
  - Q4 2014: $456
  - Q4 2015: $466

- **Prime**
  - Q4 2014: $485
  - Q4 2015: $497

- **Nonprime**
  - Q4 2014: $503
  - Q4 2015: $513

- **Subprime**
  - Q4 2014: $508
  - Q4 2015: $516

- **Deep subprime**
  - Q4 2014: $497
  - Q4 2015: $505

Average used monthly payment

- **Super Prime**
  - Q4 2014: $349
  - Q4 2015: $355

- **Prime**
  - Q4 2014: $347
  - Q4 2015: $353

- **Nonprime**
  - Q4 2014: $355
  - Q4 2015: $360

- **Subprime**
  - Q4 2014: $371
  - Q4 2015: $372

- **Deep subprime**
  - Q4 2014: $373
  - Q4 2015: $374

Source: Experian Automotive
Payment gap grows between new and used loans

Average payment difference between new & used car loans

Source: Experian Automotive
Average term by risk segment on new and used vehicle loans

**Average term**

- **New**
  - Super Prime: 60.94 Q4 2014, 62.18 Q4 2015
  - Prime: 67.77 Q4 2014, 68.89 Q4 2015
  - Nonprime: 68.89 Q4 2014, 71.00 Q4 2015
  - Subprime: 64.31 Q4 2014, 64.92 Q4 2015
  - Deep subprime: 61.23 Q4 2014, 64.12 Q4 2015
- **Used**
  - Super Prime: 60.03 Q4 2014, 60.92 Q4 2015
  - Prime: 63.51 Q4 2014, 64.31 Q4 2015
  - Nonprime: 55.82 Q4 2014, 57.15 Q4 2015
  - Subprime: 57.15 Q4 2014, 57.15 Q4 2015
  - Deep subprime: 55.82 Q4 2014, 57.15 Q4 2015

Source: Experian Automotive
Distribution of loan term

Vehicle financing by term

- **New**
- **Used**

<table>
<thead>
<tr>
<th>Term</th>
<th>New</th>
<th>Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-36</td>
<td>3.1%</td>
<td>5.8%</td>
</tr>
<tr>
<td>37-48</td>
<td>3.8%</td>
<td>11.3%</td>
</tr>
<tr>
<td>49-60</td>
<td>20.8%</td>
<td>23.6%</td>
</tr>
<tr>
<td>61-72</td>
<td>42.0%</td>
<td>41.1%</td>
</tr>
<tr>
<td>73-84</td>
<td>29.0%</td>
<td>16.4%</td>
</tr>
</tbody>
</table>

Source: Experian Automotive
Average rate by risk segment on new and used vehicle loans

**Average rate**

- **New**
  - Q4 2014: 4.56%
  - Q4 2015: 4.63%
- **Used**
  - Q4 2014: 8.65%
  - Q4 2015: 8.78%

**Average new loan rate**

- **Super Prime**
  - Q4 2014: 2.69%
  - Q4 2015: 2.70%
- **Prime**
  - Q4 2014: 3.59%
  - Q4 2015: 3.55%
- **Nonprime**
  - Q4 2014: 6.22%
  - Q4 2015: 6.24%
- **Subprime**
  - Q4 2014: 10.49%
  - Q4 2015: 10.36%
- **Deep subprime**
  - Q4 2014: 13.29%
  - Q4 2015: 13.31%

**Average used loan rate**

- **Super Prime**
  - Q4 2014: 3.34%
  - Q4 2015: 3.35%
- **Prime**
  - Q4 2014: 5.09%
  - Q4 2015: 5.08%
- **Nonprime**
  - Q4 2014: 9.40%
  - Q4 2015: 9.51%
- **Subprime**
  - Q4 2014: 15.79%
  - Q4 2015: 15.90%
- **Deep subprime**
  - Q4 2014: 18.95%
  - Q4 2015: 19.27%

Source: Experian Automotive

©2016 Experian Information Solutions, Inc. All rights reserved.
Overall Automotive Finance Market

Market overview and delinquency
A look at automotive loan balances

Outstanding automotive loan balances

Total open balances

<table>
<thead>
<tr>
<th>Year Q4</th>
<th>Outstanding Auto Loan Balances (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Q4</td>
<td>$800</td>
</tr>
<tr>
<td>2014 Q4</td>
<td>$886</td>
</tr>
<tr>
<td>2015 Q4</td>
<td>$987</td>
</tr>
</tbody>
</table>

Balances by lender type

- **All Banks**
  - 2013 Q4: $284
  - 2014 Q4: $220
  - 2015 Q4: $116

- **Captive Auto**
  - 2013 Q4: $178
  - 2014 Q4: $208
  - 2015 Q4: $135

- **Credit Union**
  - 2013 Q4: $313
  - 2014 Q4: $241
  - 2015 Q4: $166

Source: Experian-Oliver Wyman Market Intelligence Reports

©2016 Experian Information Solutions, Inc. All rights reserved.
Experian Public.
Open loan overview

Risk distribution of open loans

Percentage of Open Loans by Risk Segment

<table>
<thead>
<tr>
<th>Year</th>
<th>Super prime</th>
<th>Prime</th>
<th>Nonprime</th>
<th>Subprime</th>
<th>Deep subprime</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Q4</td>
<td>20.00%</td>
<td>40.85%</td>
<td>18.55%</td>
<td>16.85%</td>
<td>3.75%</td>
</tr>
<tr>
<td>2014 Q4</td>
<td>20.43%</td>
<td>40.80%</td>
<td>18.46%</td>
<td>16.56%</td>
<td>3.75%</td>
</tr>
<tr>
<td>2015 Q4</td>
<td>20.50%</td>
<td>40.23%</td>
<td>18.46%</td>
<td>16.81%</td>
<td>3.99%</td>
</tr>
</tbody>
</table>

YOY Change in Open Loan Volume

<table>
<thead>
<tr>
<th>Risk Segment</th>
<th>YOY Change in Open Auto Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deep subprime</td>
<td>14.70%</td>
</tr>
<tr>
<td>Subprime</td>
<td>9.31%</td>
</tr>
<tr>
<td>Nonprime</td>
<td>7.66%</td>
</tr>
<tr>
<td>Prime</td>
<td>6.14%</td>
</tr>
<tr>
<td>Super prime</td>
<td>8.06%</td>
</tr>
</tbody>
</table>

Source: Experian-Oliver Wyman Market Intelligence Reports
Recent automotive delinquency: 30 day delinquency

<table>
<thead>
<tr>
<th></th>
<th>All Banks</th>
<th>Captive Auto</th>
<th>Credit Union</th>
<th>Finance</th>
<th>Total Market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>% Trade Now 30</strong></td>
<td>2.09%</td>
<td>2.03%</td>
<td>2.60%</td>
<td>2.59%</td>
<td>2.62%</td>
</tr>
<tr>
<td>2014 Q4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015 Q4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>% $ Now 30</strong></td>
<td>1.72%</td>
<td>2.58%</td>
<td>1.29%</td>
<td>5.26%</td>
<td>2.38%</td>
</tr>
<tr>
<td>2014 Q4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015 Q4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Experian-Oliver Wyman Market Intelligence Reports
Recent automotive delinquency: 60 day delinquency

**60 day delinquency**

Percentage of loans 60 DPD

<table>
<thead>
<tr>
<th>Category</th>
<th>2014 Q4</th>
<th>2015 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Banks</td>
<td>0.59%</td>
<td>0.62%</td>
</tr>
<tr>
<td>Captive Auto</td>
<td>0.47%</td>
<td>0.51%</td>
</tr>
<tr>
<td>Credit Union</td>
<td>0.37%</td>
<td>0.37%</td>
</tr>
<tr>
<td>Finance</td>
<td>1.92%</td>
<td>1.96%</td>
</tr>
<tr>
<td>Total Market</td>
<td>0.72%</td>
<td>0.77%</td>
</tr>
</tbody>
</table>

**Percentage of loan balances 60 DPD**

<table>
<thead>
<tr>
<th>Category</th>
<th>2014 Q4</th>
<th>2015 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Banks</td>
<td>0.47%</td>
<td>0.53%</td>
</tr>
<tr>
<td>Captive Auto</td>
<td>0.44%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Credit Union</td>
<td>0.30%</td>
<td>0.31%</td>
</tr>
<tr>
<td>Finance</td>
<td>1.71%</td>
<td>1.84%</td>
</tr>
<tr>
<td>Total Market</td>
<td>0.61%</td>
<td>0.68%</td>
</tr>
</tbody>
</table>

Source: Experian-Oliver Wyman Market Intelligence Reports
60-day delinquency balances by state

HI = 0.50%

Source: Experian-Oliver Wyman Market Intelligence Reports
Balances at risk

Delinquent Balances

30-day delinquent balances
- 2014 Q4: $5,387
  - All Banks: $5,918
  - Captive Auto: $2,676
  - Credit Union: $7,114
  - Finance: $8,546

- 2015 Q4: $5,807
  - All Banks: $6,400
  - Captive Auto: $3,023
  - Credit Union: $2,308
  - Finance: $3,042

60-day delinquent balances
- 2014 Q4: $1,474
  - All Banks: $1,215
  - Captive Auto: $737
  - Credit Union: $633
  - Finance: $3,042

- 2015 Q4: $1,770
  - All Banks: $1,474
  - Captive Auto: $737
  - Credit Union: $633
  - Finance: $3,042

Source: Experian-Oliver Wyman Market Intelligence Reports
In summary

- Modest high risk growth for new financing; used down YOY
- Leasing reaching all-time highs at 28.9% of all new consumer transactions
- Loan amounts continue to grow; with gap between new and used payments rising despite increase in terms
- Rates on new financing have increased in conjunction with growth in high risk originations
- Open balances reach all-time highs with majority of loans/balances in prime+
- 30 day down, yet 60 day delinquency creeping up with both percentage of units and dollars on the rise