State of the Automotive Finance Market

A look at loans and leases in Q2 2018

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Session overview

Market Overview

- Outstanding balances
- Total risk distributions
- Delinquency

Originations

- New and Used financing
- Lender and transaction types
- Loan & lease characteristics

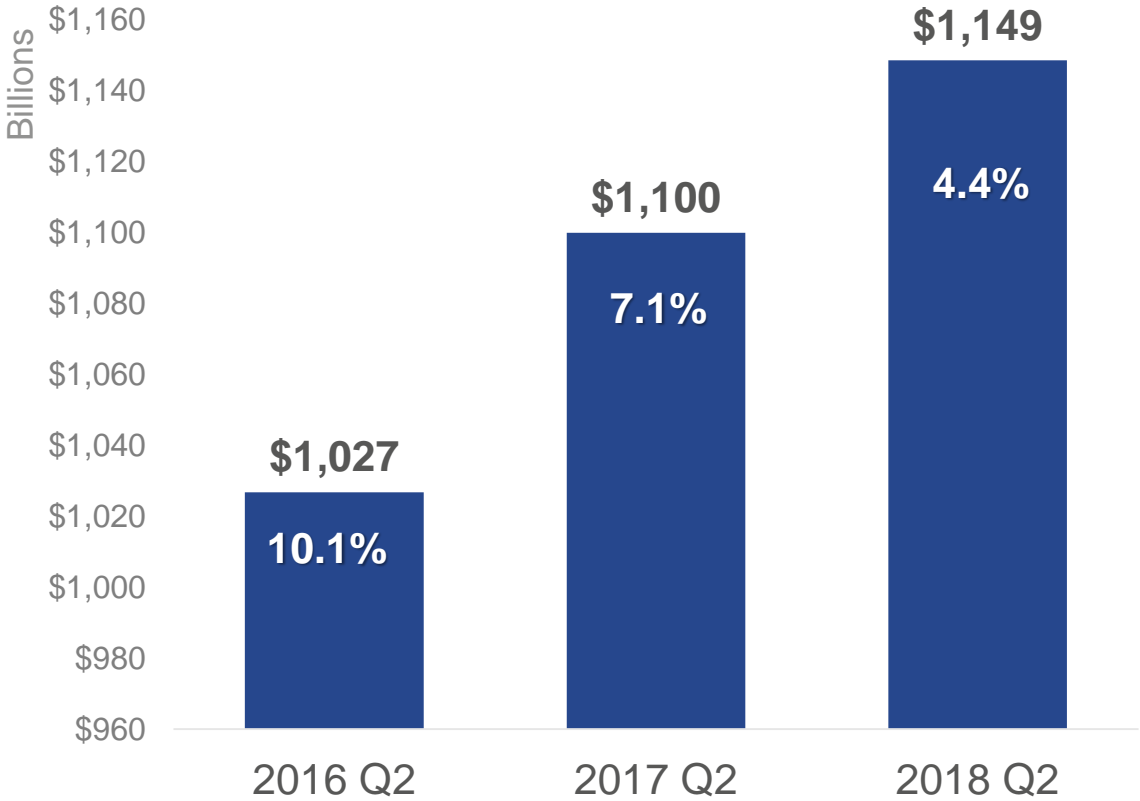| Category	Score Range
Super prime	781 – 850
Prime	661 – 780
Nonprime	601 – 660
Subprime	501 – 600
Deep subprime	300 – 500

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Overall Automotive Finance Market

A review of all open automotive loans & leases

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Loan balances reach another record high-yet experience slowing growth; Credit Unions see highest growth

Total open automotive loan balance

Billions

- 2016 Q2: $1,027 — 10.1%
- 2017 Q2: $1,100 — 7.1%
- 2018 Q2: $1,149 — 4.4%

Total open automotive loan balance

Billions

	2016 Q2	2017 Q2	2018 Q2
Finance	$174	$187	$192
Credit Union	$258	$295	$329
Captive	$245	$252	$260
Banks	$350	$366	$367

■ Banks ■ Captive ■ Credit Union ■ Finance

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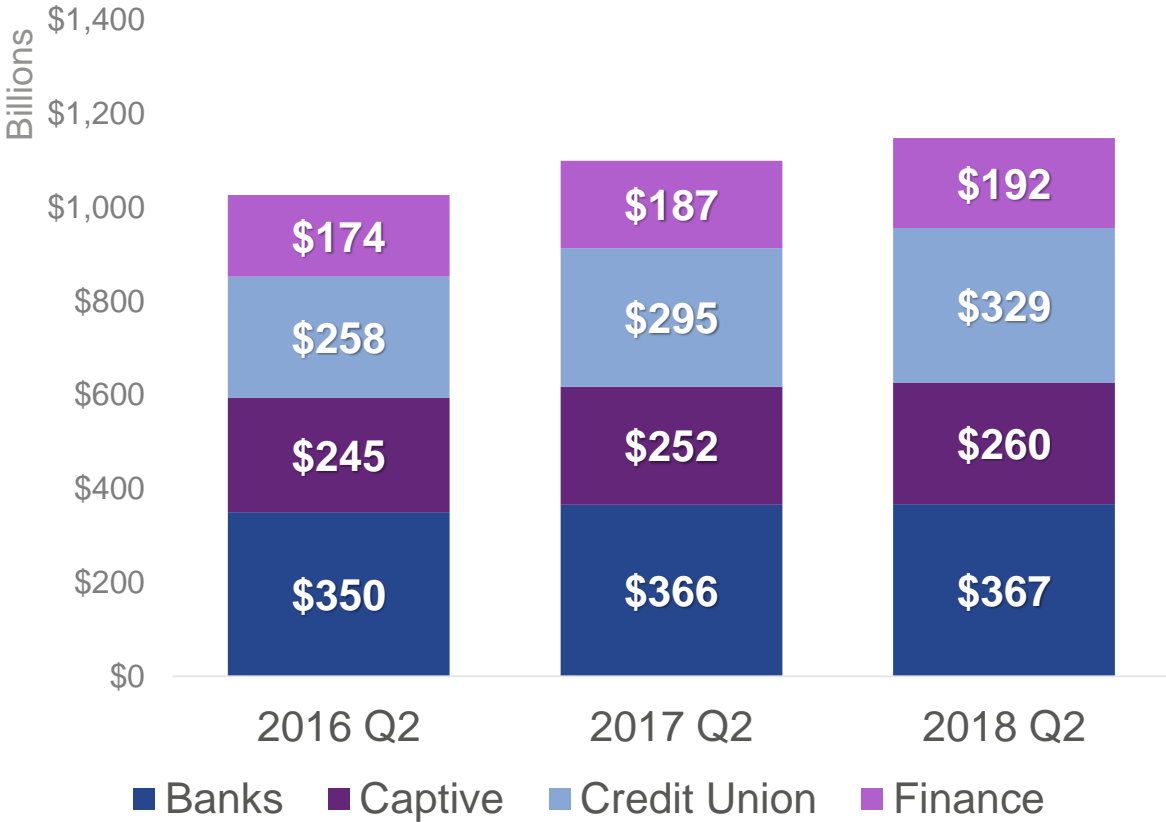
Percentage of subprime shrinks falls below 19% of loan balances as both deep subprime and subprime fall

Loan balance risk distribution

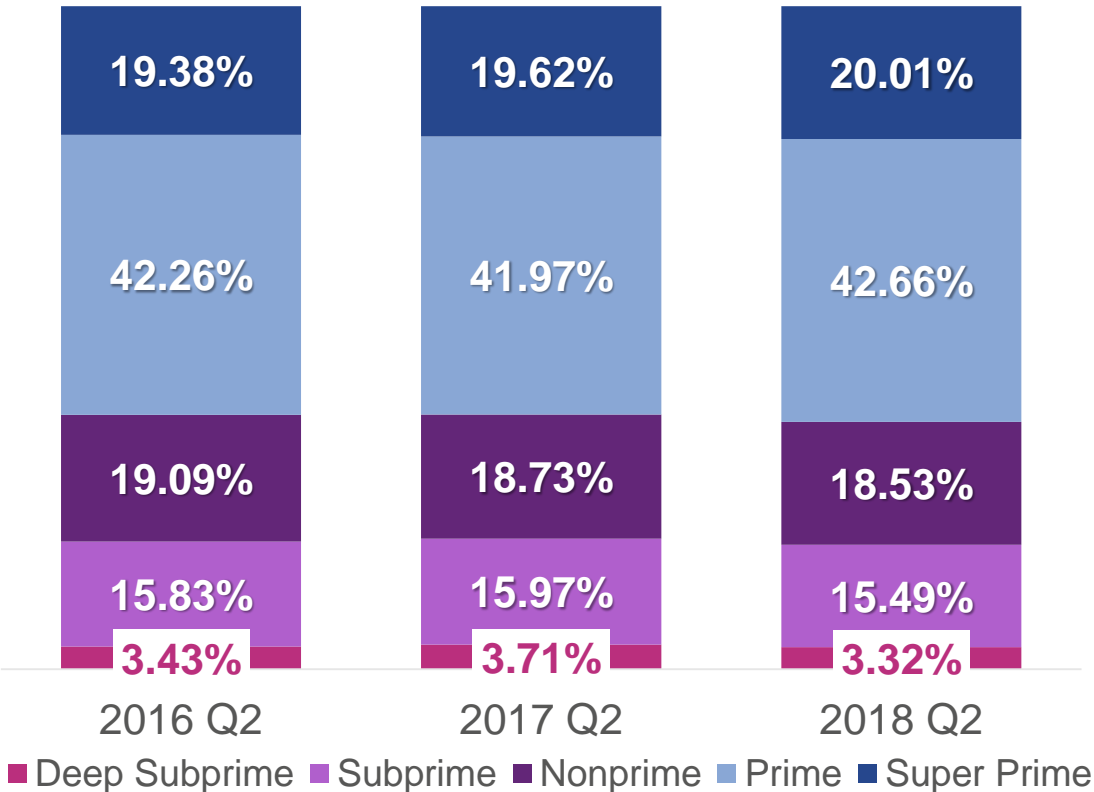

	2016 Q2	2017 Q2	2018 Q2
Super Prime	19.38%	19.62%	20.01%
Prime	42.26%	41.97%	42.66%
Nonprime	19.09%	18.73%	18.53%
Subprime	15.83%	15.97%	15.49%
Deep Subprime	3.43%	3.71%	3.32%

■ Deep Subprime ■ Subprime ■ Nonprime ■ Prime ■ Super Prime

Year-over-year balance change

Deep subprime	Subprime	Nonprime	Prime	Super prime
-6.64%	1.28%	3.32%	6.15%	6.52%

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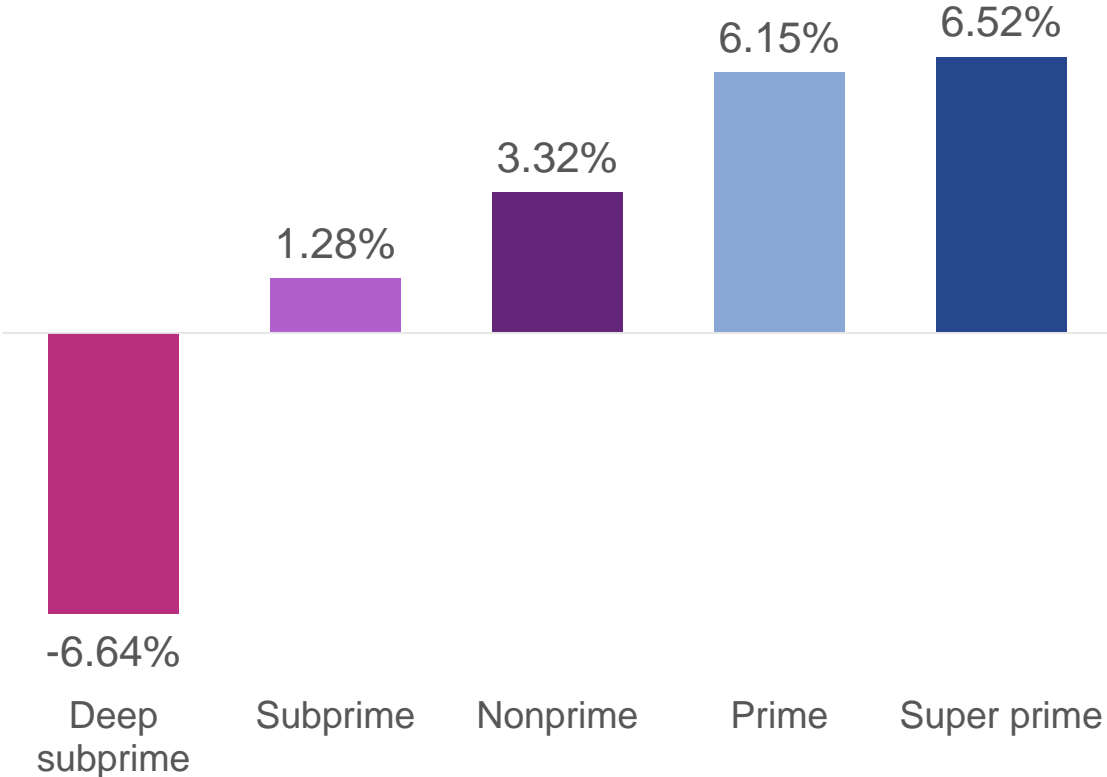
30 day delinquency rates are beginning to improve

% of loans & leases 30 dpd

■ 2017 Q2 ■ 2018 Q2

	Bank	Captive	Credit Union	Finance	Total
2017 Q2	1.71%	2.08%	1.27%	4.31%	2.20%
2018 Q2	1.88%	2.14%	1.18%	3.67%	2.11%

% of loan balances 30 dpd

■ 2017 Q2 ■ 2018 Q2

	Bank	Captive	Credit Union	Finance	Total
2017 Q2	1.59%	2.59%	1.13%	4.94%	2.26%
2018 Q2	1.75%	2.63%	1.03%	4.18%	2.15%

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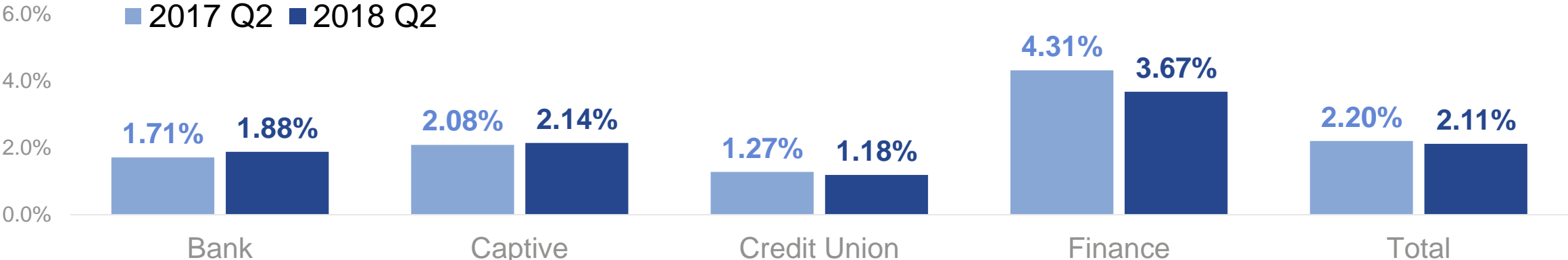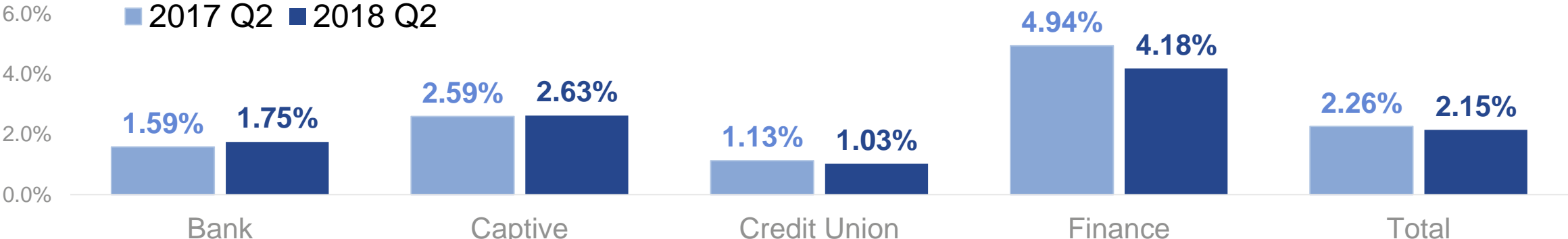
Percentage of loan balances 30 dpd

AK = 1.68%
HI = 1.71%

60 day delinquency rate increases begin to taper off
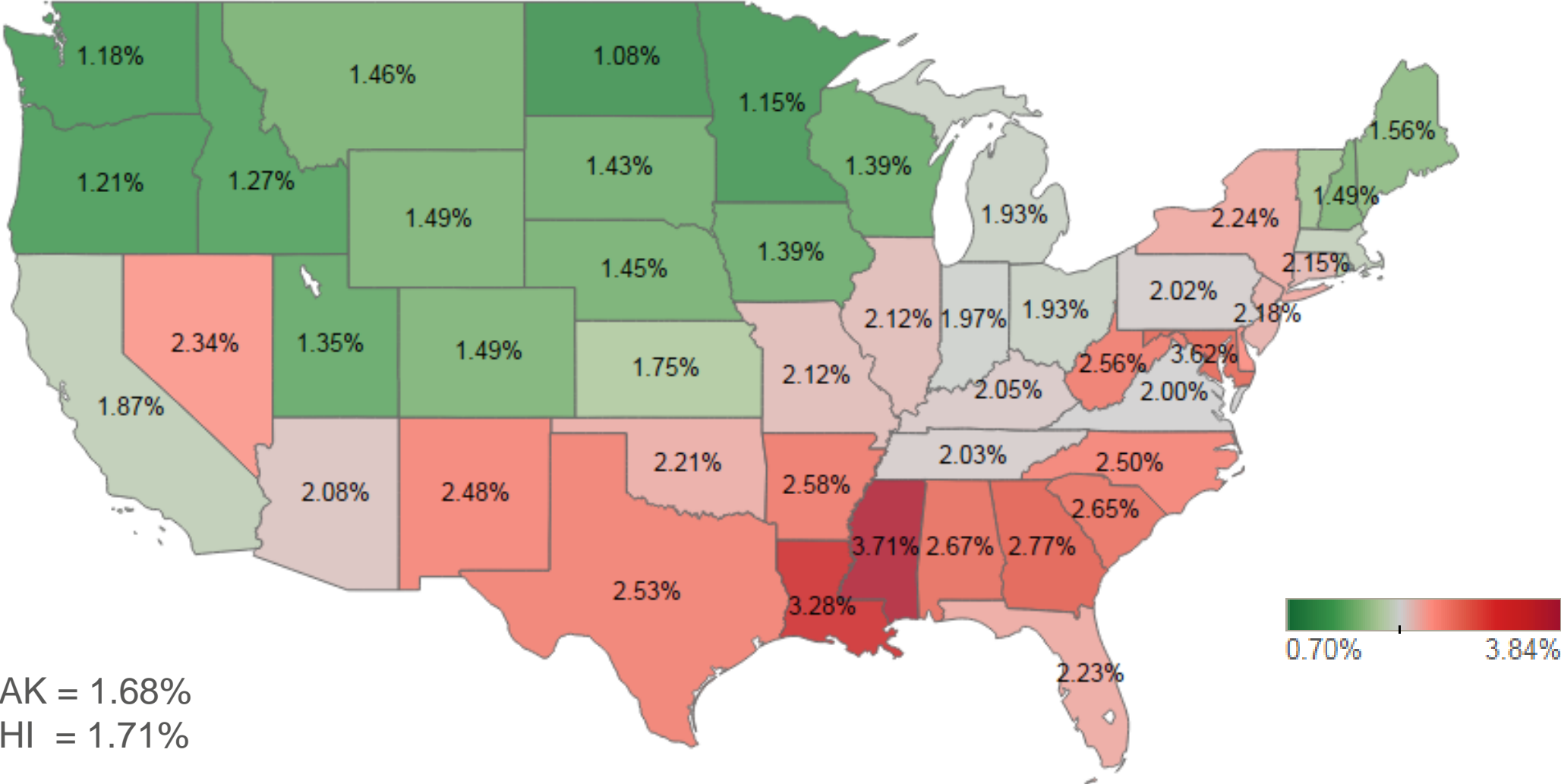
% of loans & leases 60 dpd

Legend: ■ 2017 Q2 ■ 2018 Q2

	Banks	Captive	Credit Union	Finance	Total
2017 Q2	0.59%	0.48%	0.29%	1.54%	0.67%
2018 Q2	0.63%	0.52%	0.26%	1.32%	0.64%

% of loan balances 60 dpd

Legend: ■ 2017 Q2 ■ 2018 Q2

	Bank	Captive	Credit Union	Finance	Total
2017 Q2	0.54%	0.57%	0.24%	1.78%	0.68%
2018 Q2	0.58%	0.60%	0.21%	1.49%	0.63%

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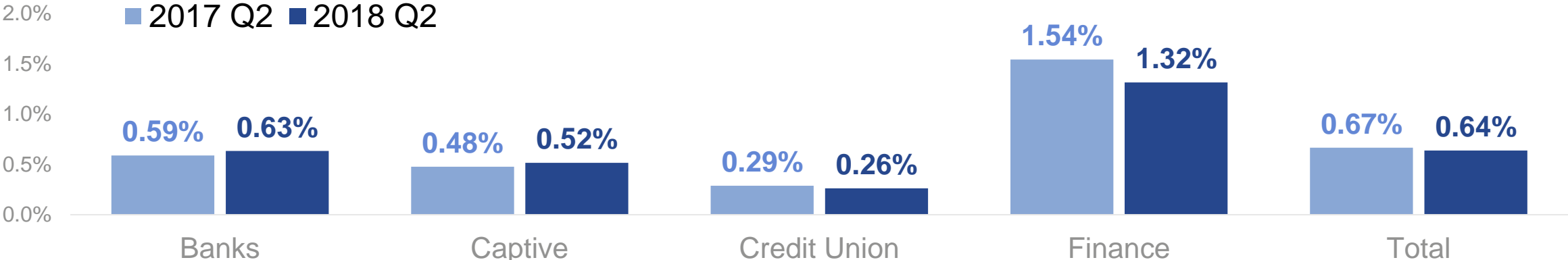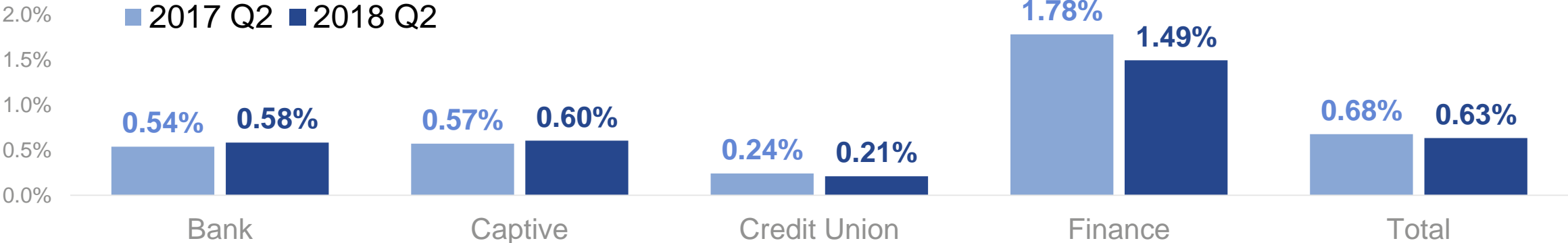
Percentage of loan balances 60 dpd

AK = 0.61%
HI = 0.47%

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Originations in Q2 2018

Trends in automotive loan and lease originations

Automotive financing: snapshot of how and what consumers are financing

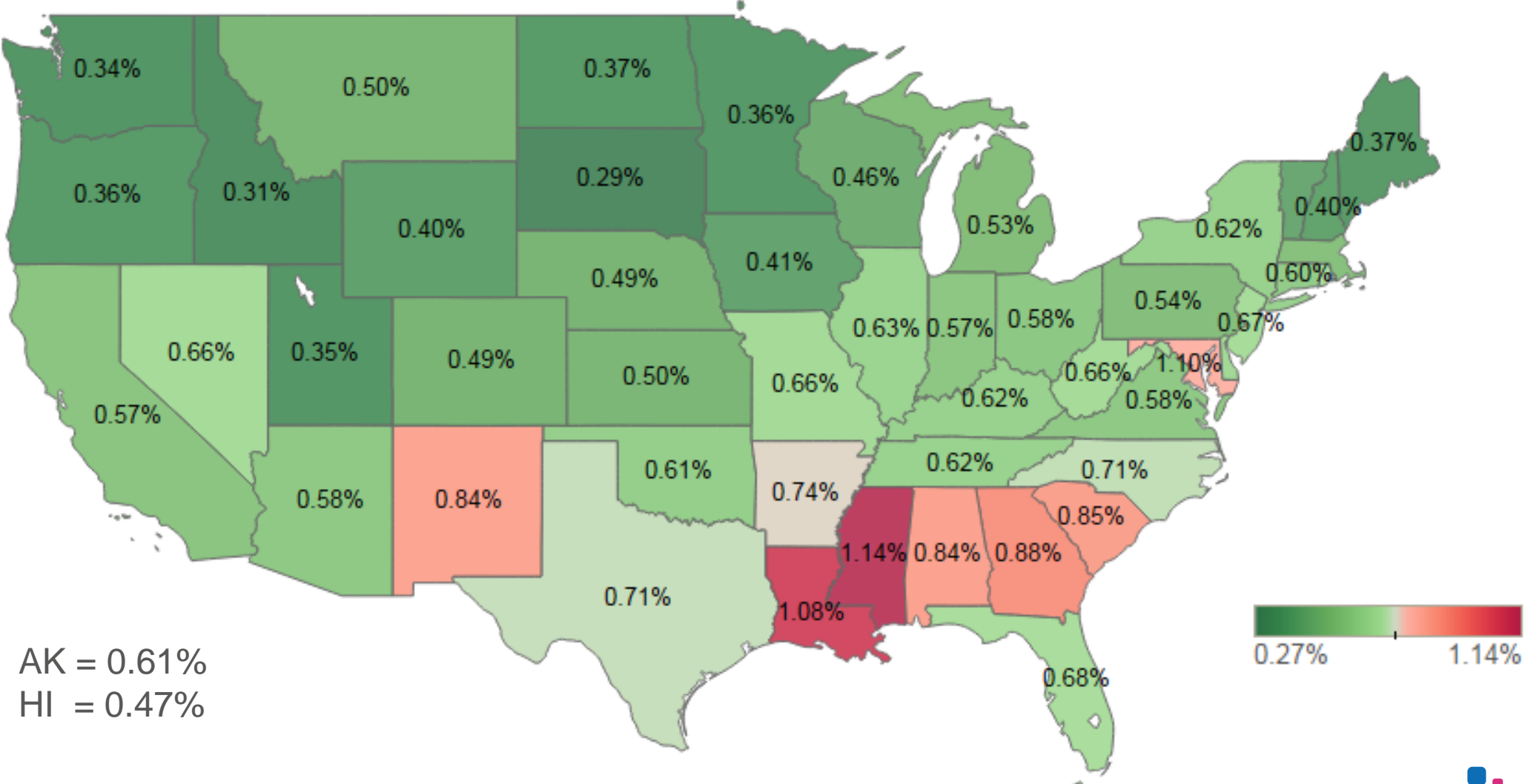### Percentage of vehicles with financing

■ New ■ Used

Q2 2017: New 85.9%, Used 53.6%
Q2 2018: New 86.1%, Used 54.7%
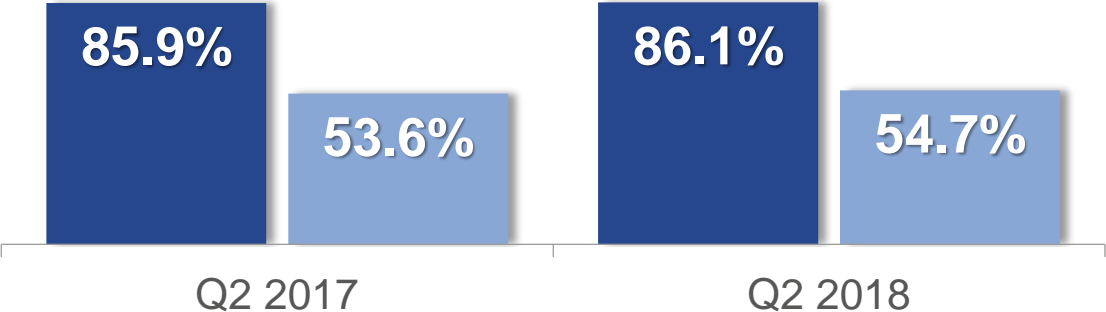
% of all new vehicles that are leased

Q2 2017: 30.83%
Q2 2018: 30.41%
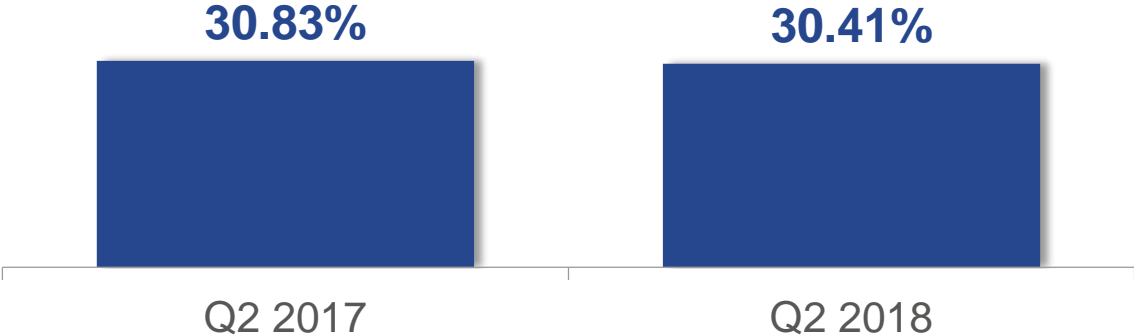
Finance Market: new v used units

■ New ■ Used

Q2 2017: Used 55.79%, New 44.21%
Q2 2018: Used 55.16%, New 44.84%

Used % of lease market

Q2 2017: 3.61%
Q2 2018: 3.55%

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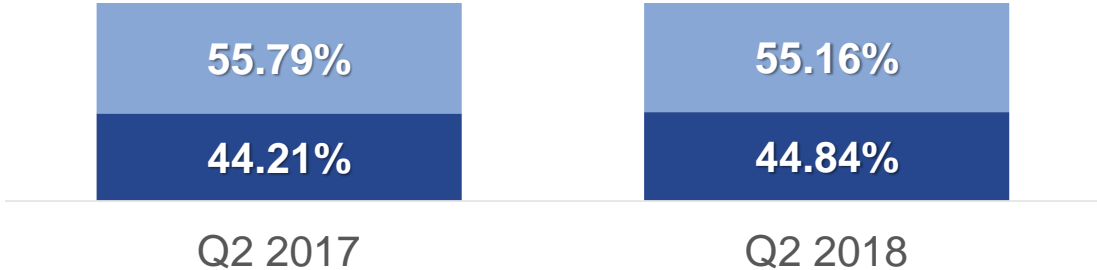
Credit Unions driving increases in market share
(loan and lease units combined)

Market Share of Total Financing (new/used units & loan/lease)

- Q2 2017
- Q2 2018

	Bank	BHPH	Captive	Credit Union	Finance Co
Q2 2017	32.3%	7.1%	28.6%	20.3%	11.6%
Q2 2018	31.6%	6.9%	29.0%	21.3%	11.1%
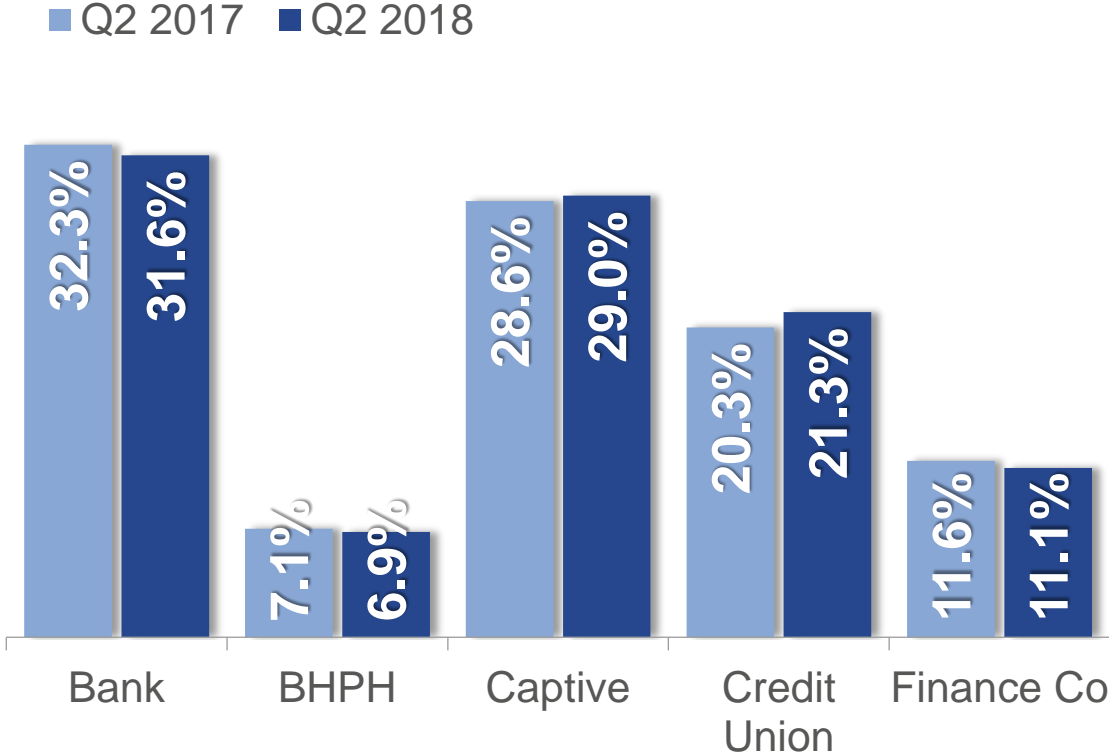
Market Share of New Financing

- Q2 2017
- Q2 2018

	Bank	BHPH	Captive	Credit Union	Finance Co
Q2 2017	28.8%	0.2%	53.2%	12.7%	5.1%
Q2 2018	26.1%	0.1%	54.2%	14.3%	5.2%
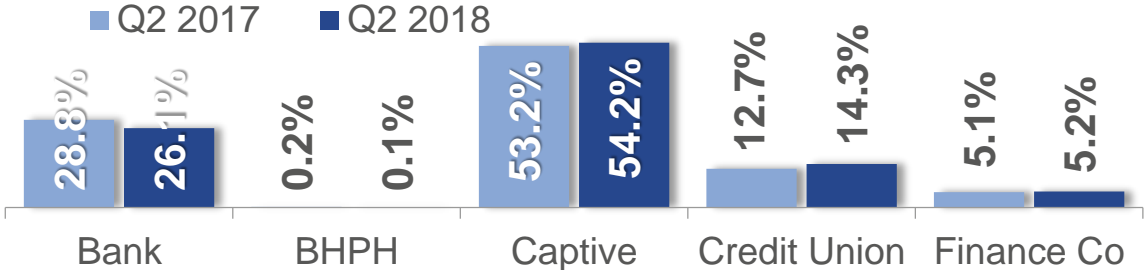
Market Share of Used Financing

- Q2 2017
- Q2 2018

	Bank	BHPH	Captive	Credit Union	Finance Co
Q2 2017	35.2%	12.9%	8.1%	26.7%	17.0%
Q2 2018	33.7%	12.6%	8.3%	28.8%	16.7%
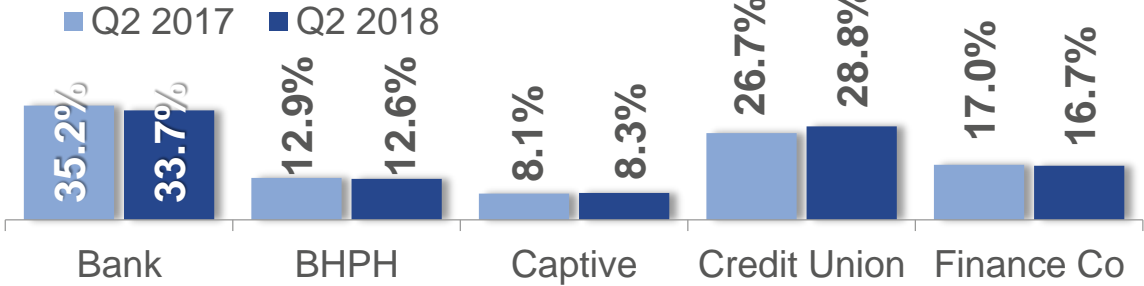
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Score range refresh

Category	Score Range
Super prime	781 – 850
Prime	661 – 780
Nonprime	601 – 660
Subprime	501 – 600
Deep subprime	300 – 500

Note: ranges above are those used by Experian Automotive for automotive finance market analysis and trending purposes. Other industries and lenders may use other ranges based on unique scores, portfolio and industry trends.

Credit scores show year-over-year improvement

Average new credit scores

New lease: 717, 716, 716, 722, 722
All new: 712, 711, 710, 714, 715
New loan: 711, 709, 708, 711, 711

Legend:
- New lease
- All new
- New loan

Q2 2014   Q2 2015   Q2 2016   Q2 2017   Q2 2018
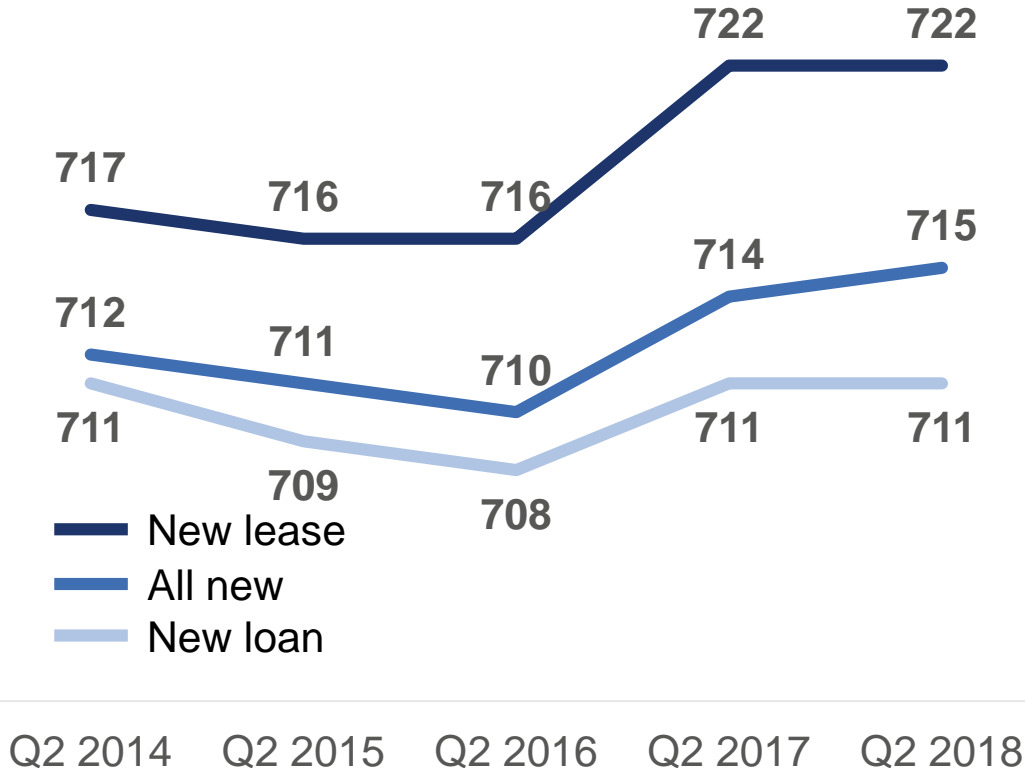
Average used credit scores

Franchise used: 672, 671, 674, 673, 680
All used: 644, 645, 645, 652, 655
Independent used: 600, 603, 608, 611, 616

Legend:
- Franchise used
- All used
- Independent used

Q2 2014   Q2 2015   Q2 2016   Q2 2017   Q2 2018

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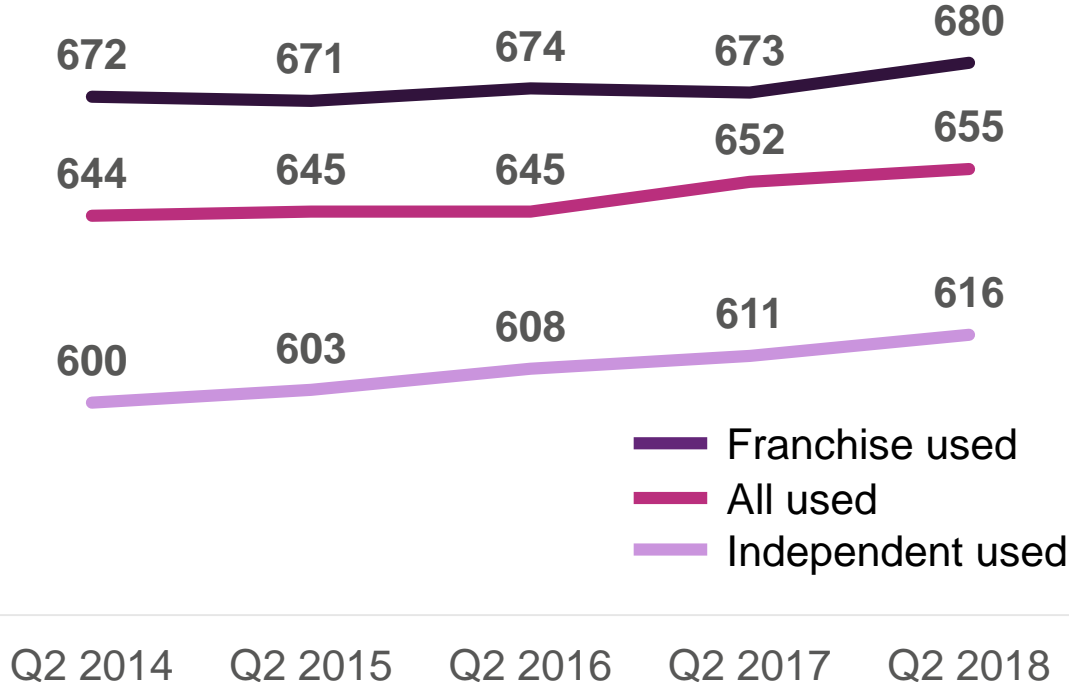
Used financing shifts to prime originations drive overall financing Q2 lows for subprime and deep subprime

Total (new & used units on loans and leases) risk distribution

	Q2 2017	Q2 2018
Super Prime	19.10%	19.27%
Prime	39.41%	39.92%
Nonprime	19.62%	19.70%
Subprime	18.41%	18.02%
Deep Subprime	3.45%	3.09%

■ Deep Subprime ■ Subprime ■ Nonprime ■ Prime ■ Super Prime

New (loans/leases) risk distribution

	Q2 2017	Q2 2018
Super Prime	28.29%	28.35%
Prime	44.64%	44.60%
Nonprime	17.05%	16.88%
Subprime	9.32%	9.45%

Used (loans/leases) risk distribution

	Q2 2017	Q2 2018
Super Prime	11.72%	11.85%
Prime	35.22%	36.10%
Nonprime	21.69%	22.00%
Subprime	25.71%	25.03%
Deep Subprime	5.67%	5.02%
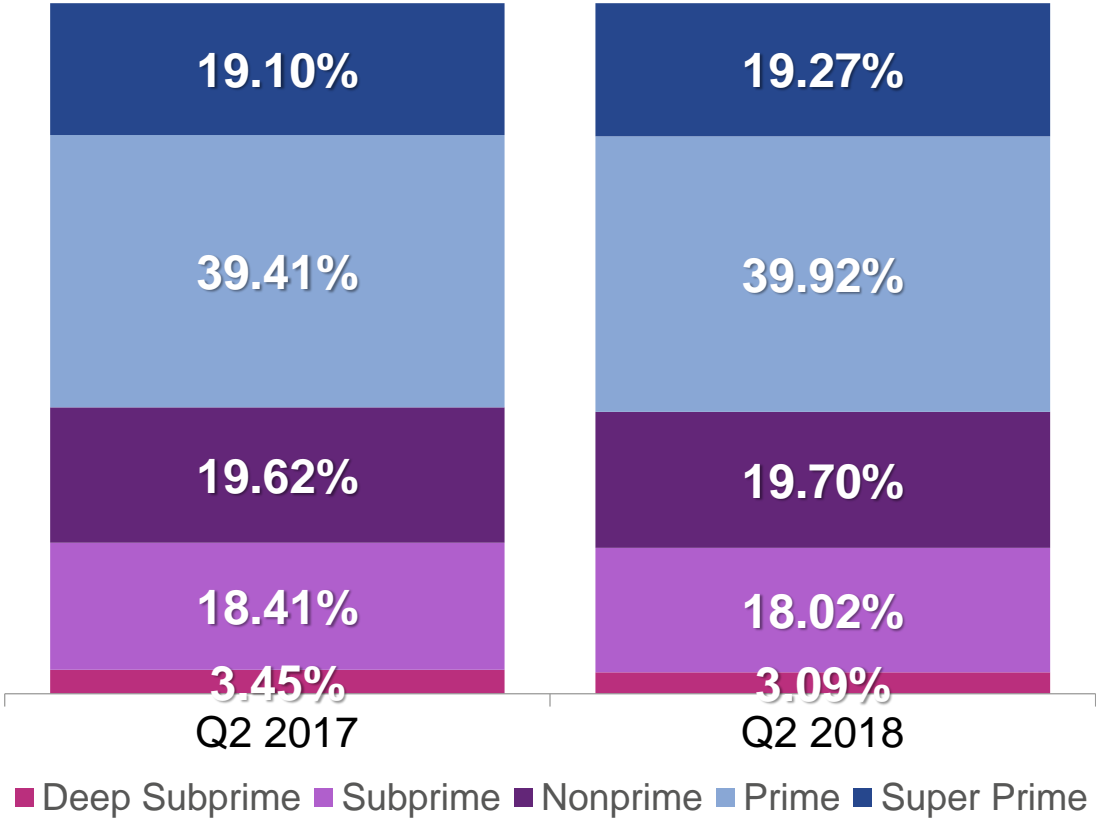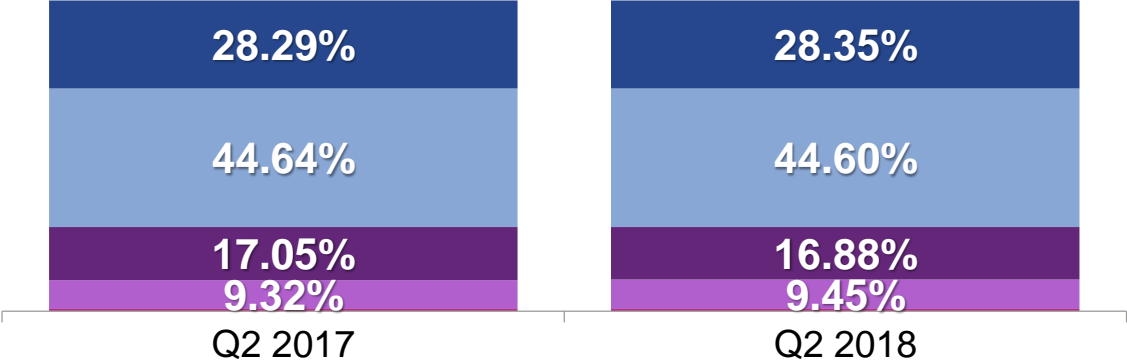
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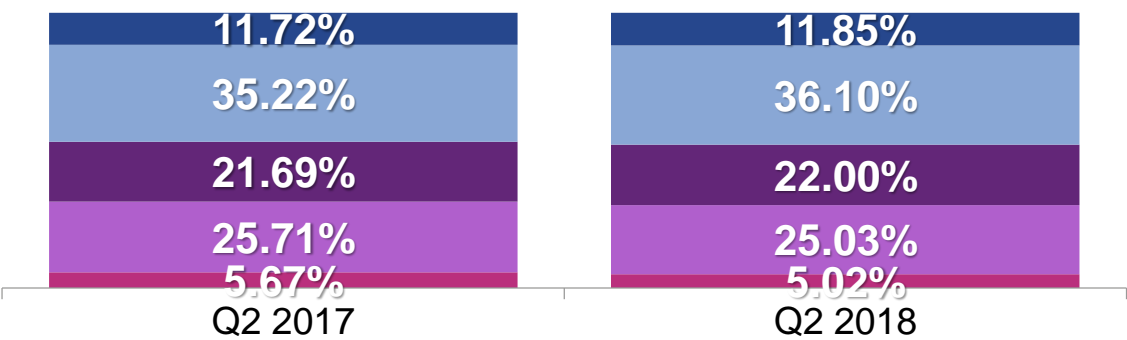
Leasing remains very prime while more consumers shift into the loan space

New lease risk distribution

Q2 2017:
- Super Prime: 29.02%
- Prime: 48.10%
- Nonprime: 15.85%
- Subprime: 6.59%

Q2 2018:
- Super Prime: 29.01%
- Prime: 48.31%
- Nonprime: 15.77%
- Subprime: 6.47%

Legend: ■ Deep Subprime ■ Subprime ■ Nonprime ■ Prime ■ Super Prime
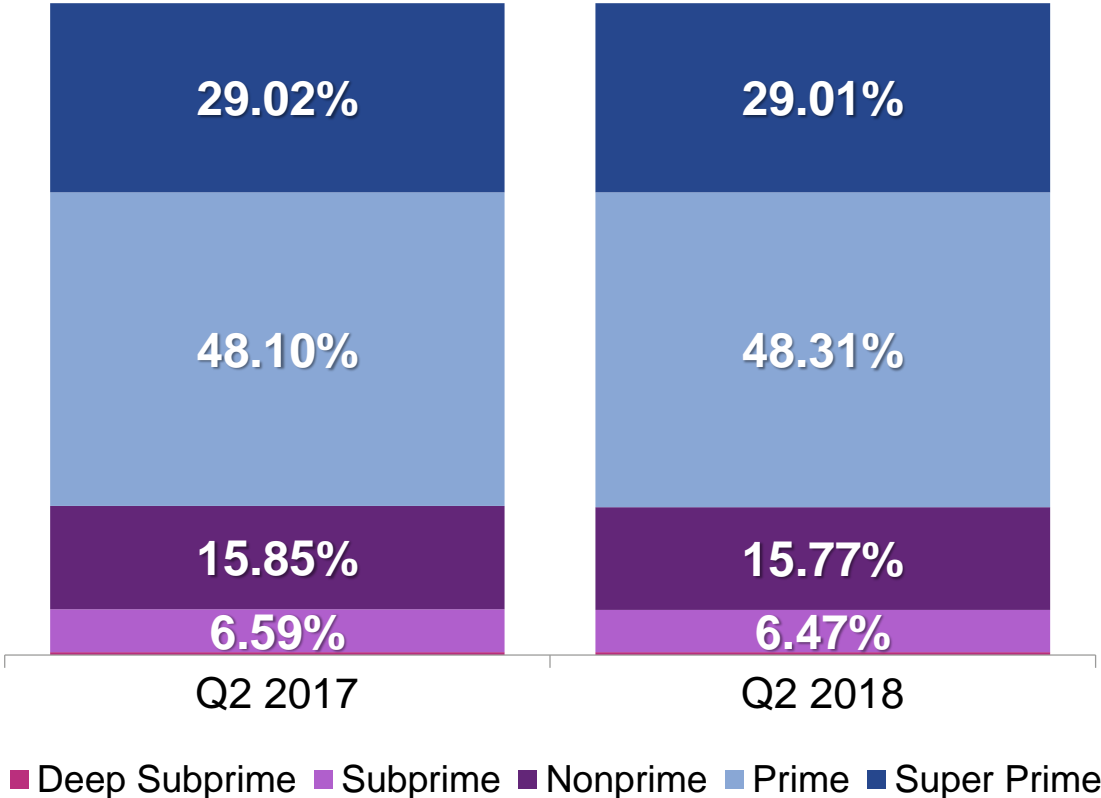
% of new borrowers choosing to lease

Prime +
- Q2 2018: 36.1%
- Q2 2017: 37.0%

Nonprime
- Q2 2018: 31.8%
- Q2 2017: 32.5%

Deep & Sub
- Q2 2018: 23.1%
- Q2 2017: 24.5%

Legend: ■ Q2 2018 ■ Q2 2017

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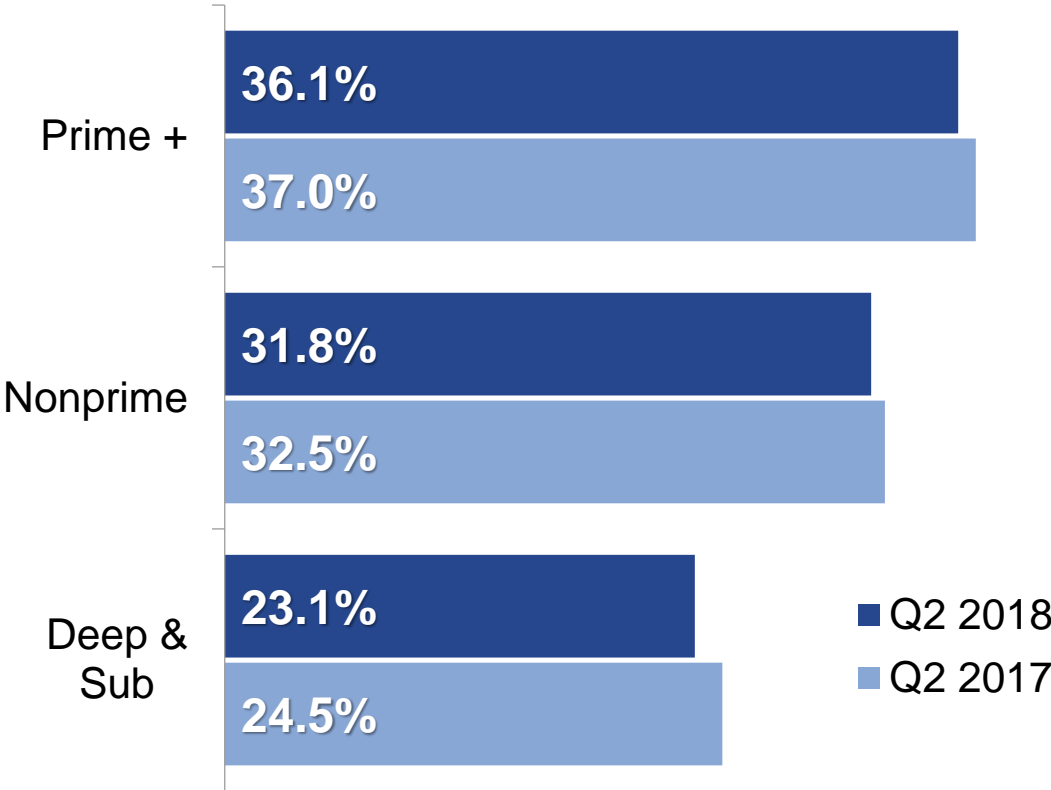
Q2 record lows in used with new loans growing higher risk financing

Total (new & used units) loan risk distribution

Q2 2017:
- 17.27%
- 37.83%
- 20.35%
- 20.57%
- 3.98%

Q2 2018:
- 17.51%
- 38.41%
- 20.44%
- 20.10%
- 3.54%

Legend: ■ Deep Subprime ■ Subprime ■ Nonprime ■ Prime ■ Super Prime

New loan risk distribution

Q2 2017:
- 27.89%
- 42.78%
- 17.70%
- 10.79%

Q2 2018:
- 28.02%
- 42.67%
- 17.46%
- 10.98%

Used loan risk distribution

Q2 2017:
- 11.68%
- 35.23%
- 21.75%
- 25.71%
- 5.63%

Q2 2018:
- 11.80%
- 36.09%
- 22.05%
- 25.05%
- 5.00%
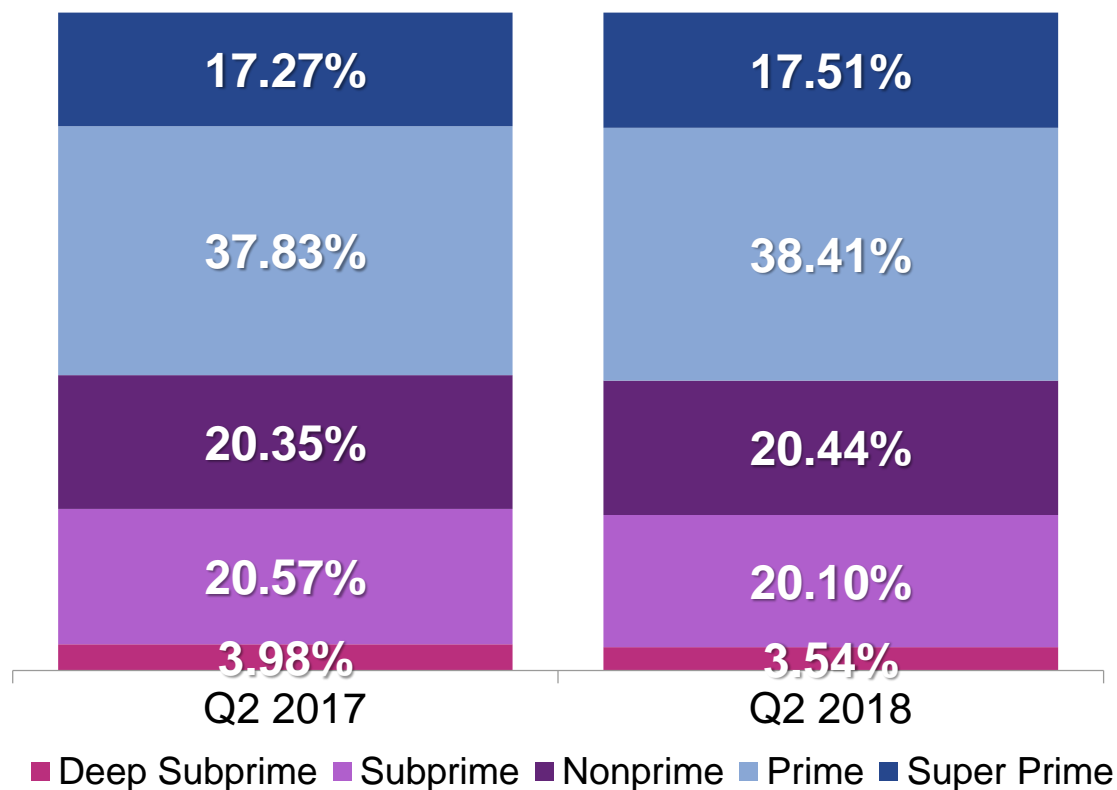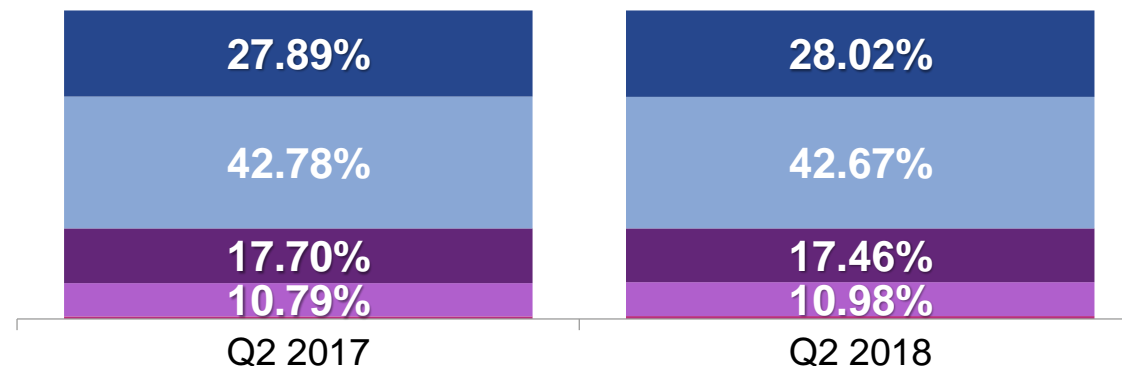
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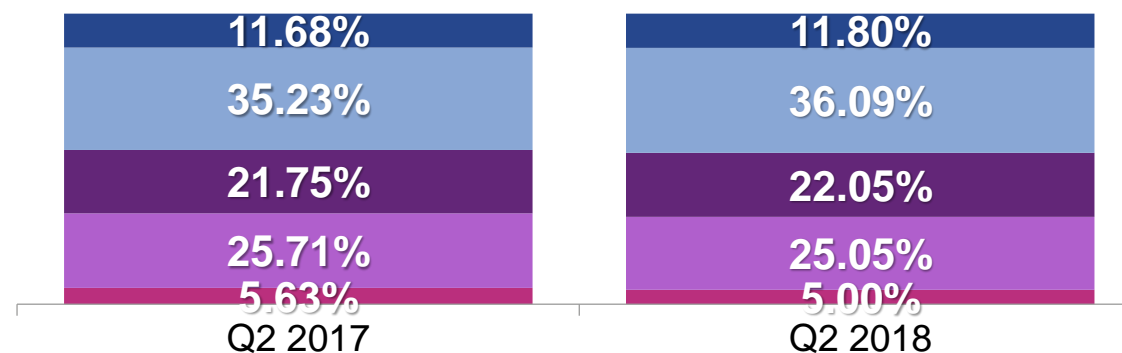
Prime consumers shift slightly away from used vehicles yet used subprime financing remains at record lows

Percentage of consumers by risk tier choosing used loans

Legend: ■ Q2 2017 ■ Q2 2018

- Deep Subprime: 92.74% (Q2 2017), 91.35% (Q2 2018)
- Subprime: 81.92% (Q2 2017), 80.76% (Q2 2018)
- Nonprime: 70.02% (Q2 2017), 69.92% (Q2 2018)
- Prime: 61.02% (Q2 2017), 60.88% (Q2 2018)
- Super Prime: 44.32% (Q2 2017), 43.65% (Q2 2018)
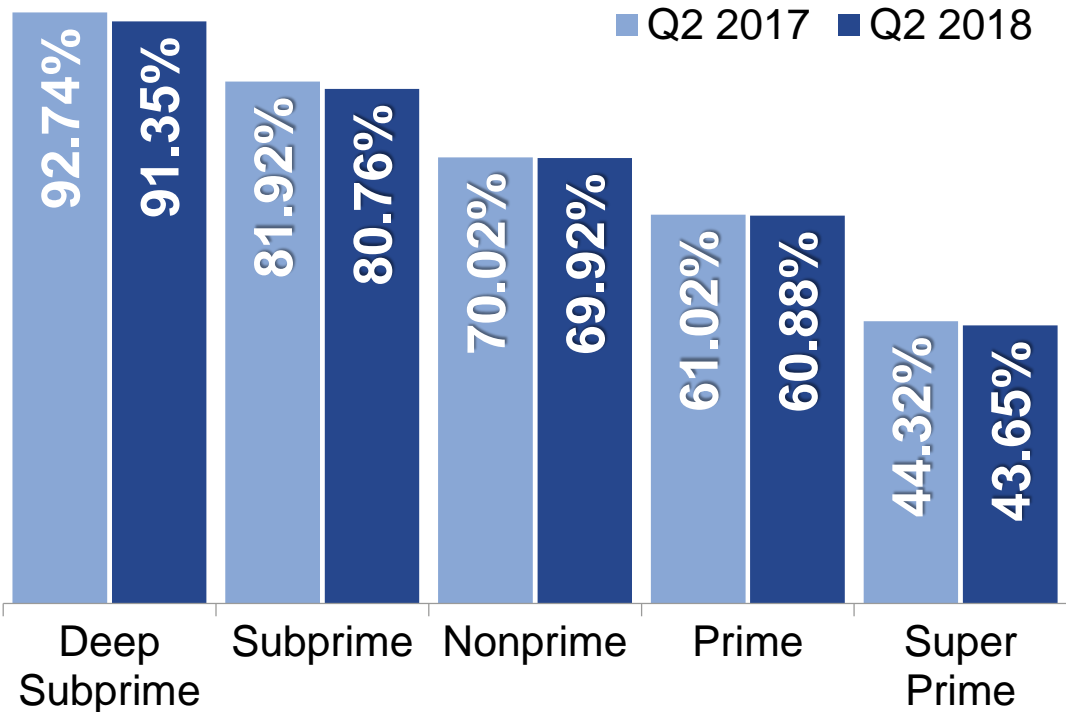
Used Franchise loan risk distribution

Q2 2017
- Super Prime: 14.51%
- Prime: 40.86%
- Nonprime: 22.48%
- Subprime: 19.40%

Q2 2018
- Super Prime: 15.13%
- Prime: 43.13%
- Nonprime: 22.88%
- Subprime: 17.06%

Legend: ■ Deep Subprime ■ Subprime ■ Nonprime ■ Prime ■ Super Prime
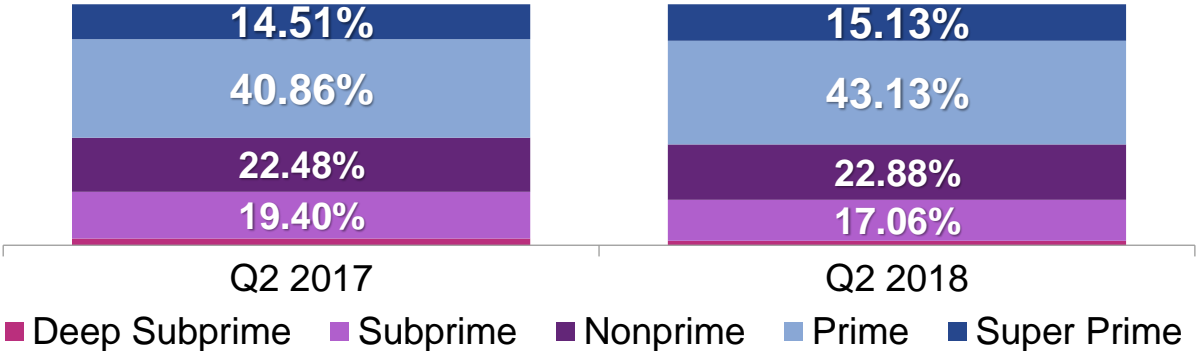
Used Independent loan risk distribution

Q2 2017
- Super Prime: 6.14%
- Prime: 24.17%
- Nonprime: 20.31%
- Subprime: 38.10%
- Deep Subprime: 11.28%

Q2 2018
- Super Prime: 6.51%
- Prime: 25.65%
- Nonprime: 21.09%
- Subprime: 36.99%
- Deep Subprime: 9.76%

Legend: ■ Deep Subprime ■ Subprime ■ Nonprime ■ Prime ■ Super Prime

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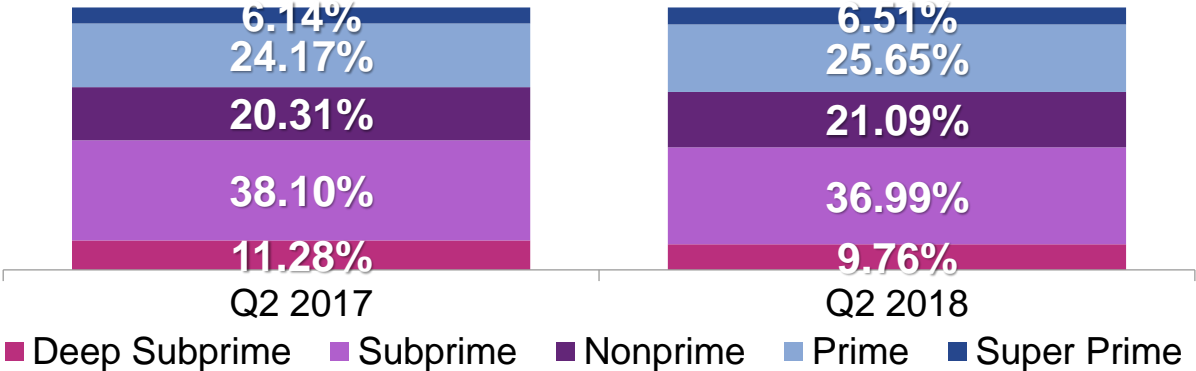
Record highs for average used loan amounts

Average loan amount by tier

Legend: Avg New | All Used | Franchise used | Independent used

Tier	Avg New	All Used	Franchise used	Independent used
Deep Subprime	$25,368	$15,130	$16,974	$14,203
Subprime	$28,304	$16,639	$18,731	$14,969
Nonprime	$32,172	$19,448	$21,366	$16,954
Prime	$32,706	$21,369	$22,699	$19,139
Super Prime	$28,637	$20,816	$21,747	$19,257
Total	$30,958	$19,708	$21,518	$17,153
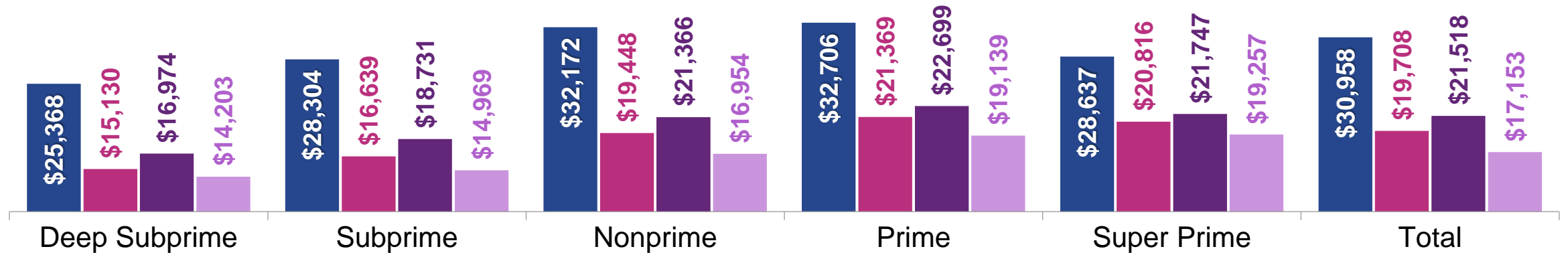
Year-over-year change in balance

Tier	Avg New	All Used	Franchise used	Independent used
Deep Subprime	$881	$498	$795	$265
Subprime	$451	$400	$478	$242
Nonprime	$616	$456	$480	$337
Prime	$742	$522	$449	$459
Super Prime	$883	$486	$448	$499
Total	$724	$520	$504	$438

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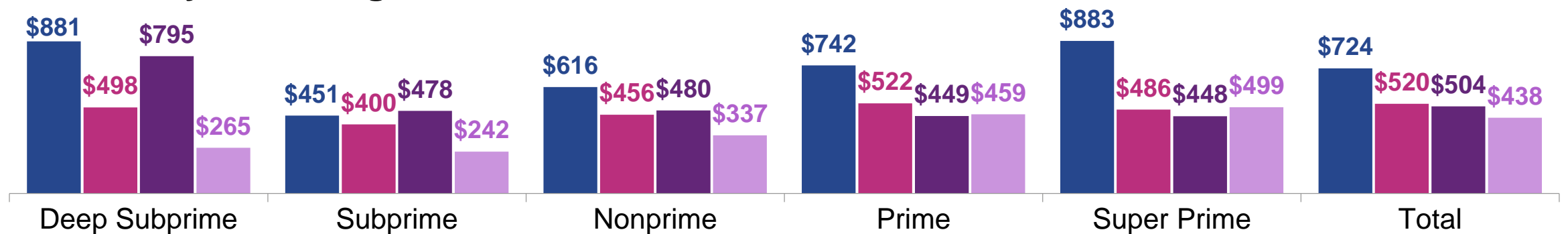
New loan term stays stable with prime and super prime decreasing term YOY

Average new term by risk tier

■ New loan ■ New lease

	Deep Subprime	Subprime	Nonprime	Prime	Super Prime	Total
New loan	72.06	72.59	72.81	69.89	62.79	68.80
New lease	37.00	37.12	36.91	36.29	35.42	36.19

Year-over-year change in term

	Deep Subprime	Subprime	Nonprime	Prime	Super Prime	Total
New loan	-0.01	0.10	0.16	-0.05	-0.15	0.00
New lease	0.12	0.14	0.11	0.05	0.08	0.07

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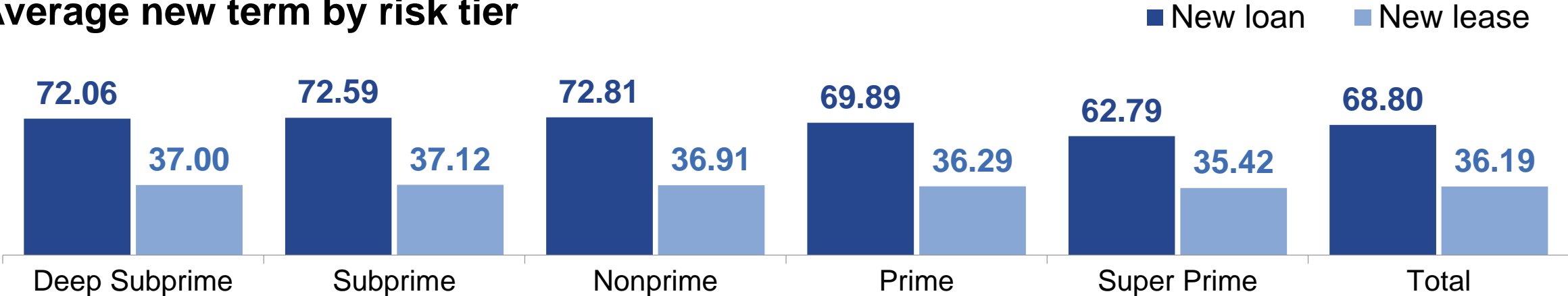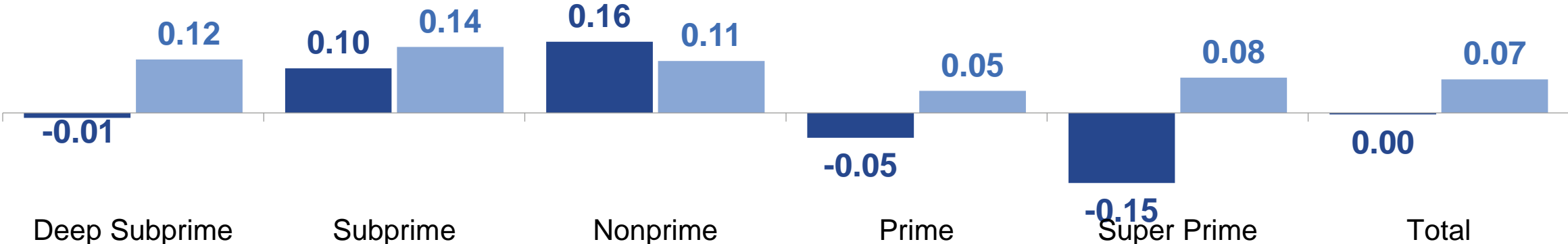
Used loan terms rise, yet decrease for high risk franchise used loans

Average used loan term by tier

Legend: ■ All Used ■ Franchise used ■ Independent used

Tier	All Used	Franchise used	Independent used
Deep Subprime	59.09	65.62	55.32
Subprime	61.93	67.12	57.34
Nonprime	65.29	68.18	61.08
Prime	66.02	67.38	63.41
Super Prime	62.17	62.90	61.00
Total	64.33	66.84	60.47
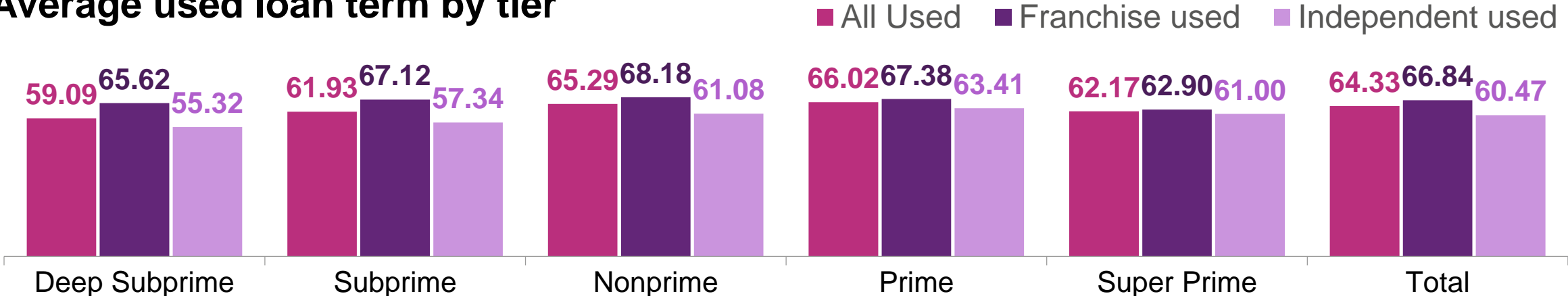
Year-over-year change in used loan term

Tier	All Used	Franchise used	Independent used
Deep Subprime	0.14	-0.47	0.05
Subprime	0.15	-0.16	0.01
Nonprime	0.31	0.16	0.27
Prime	0.41	0.22	0.48
Super Prime	0.31	0.19	0.45
Total	0.36	0.12	0.38

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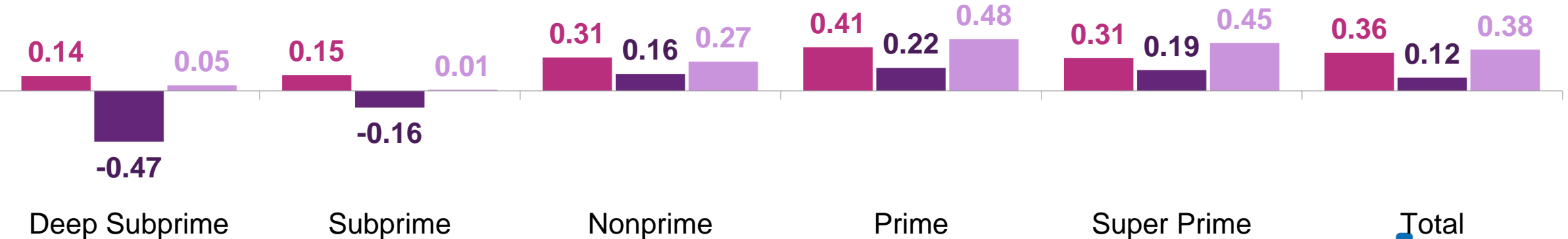
Longer term loans continue to dominate the market

Percentage of new loans by term

■ Q2 2017　■ Q2 2018

- 49 - 60: 18.5% / 19.4%
- 61 - 72: 40.4% / 40.2%
- 73 - 84: 32.5% / 32.0%
- 85 - 96: 1.3% / 1.2%
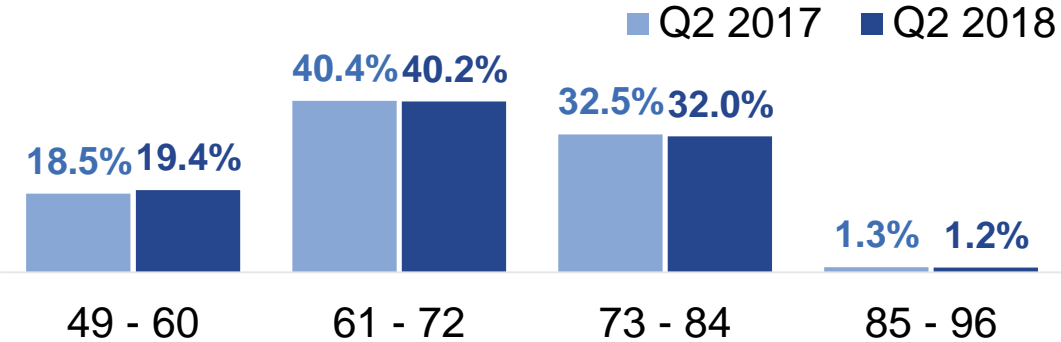
Percentage of used loans by term

■ Q2 2017　■ Q2 2018

- 37 - 48: 10.0% / 9.9%
- 49 - 60: 23.2% / 22.9%
- 61 - 72: 41.5% / 41.9%
- 73 - 84: 18.5% / 18.8%
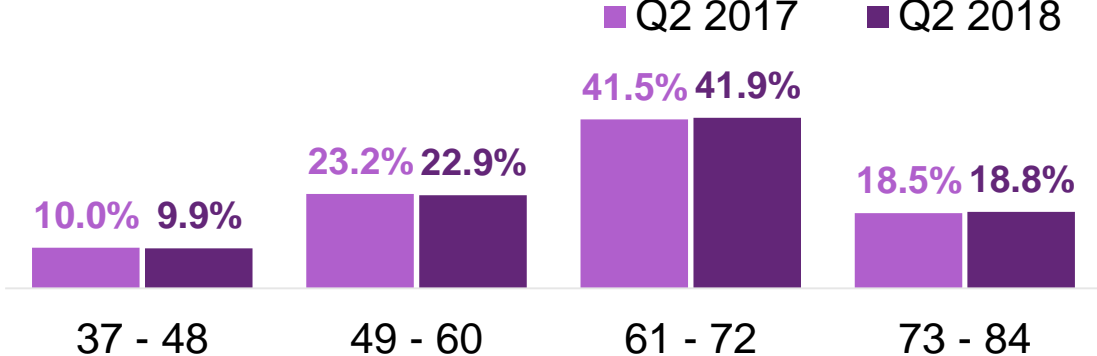
Average new score by loan term

■ Q2 2017　■ Q2 2018

- 49 - 60: 757 / 757
- 61 - 72: 699 / 699
- 73 - 84: 682 / 680
- 85 - 96: 699 / 702
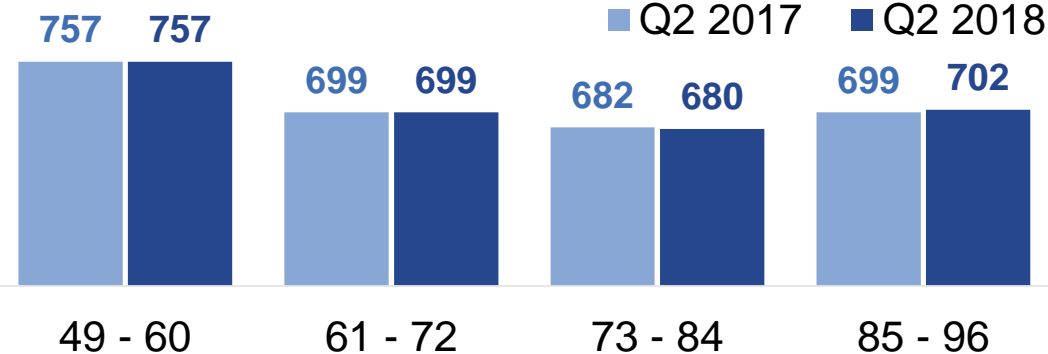
Average used score by loan term

■ Q2 2017　■ Q2 2018

- 37 - 48: 655 / 656
- 49 - 60: 685 / 686
- 61 - 72: 661 / 662
- 73 - 84: 668 / 672

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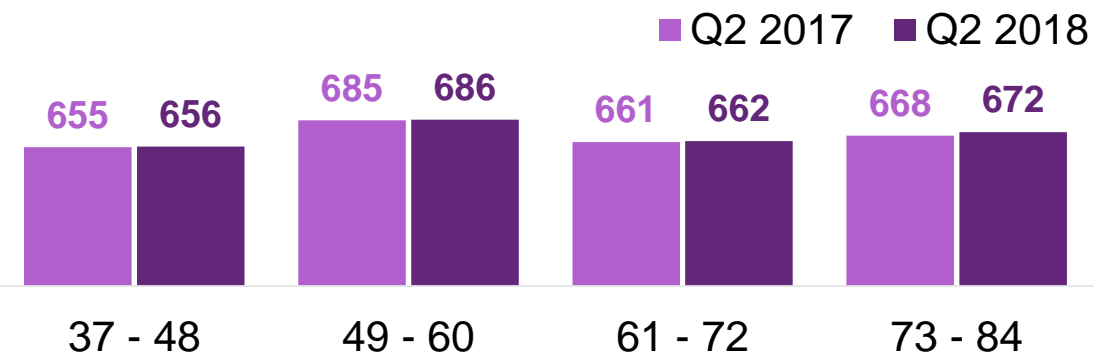
New monthly payments hit $525 hitting all time high

Average new payment by risk tier

■ New loan ■ New lease

	Deep Subprime	Subprime	Nonprime	Prime	Super Prime	Total
New loan	$524	$540	$543	$530	$498	$525
New lease	$458	$454	$440	$429	$425	$431
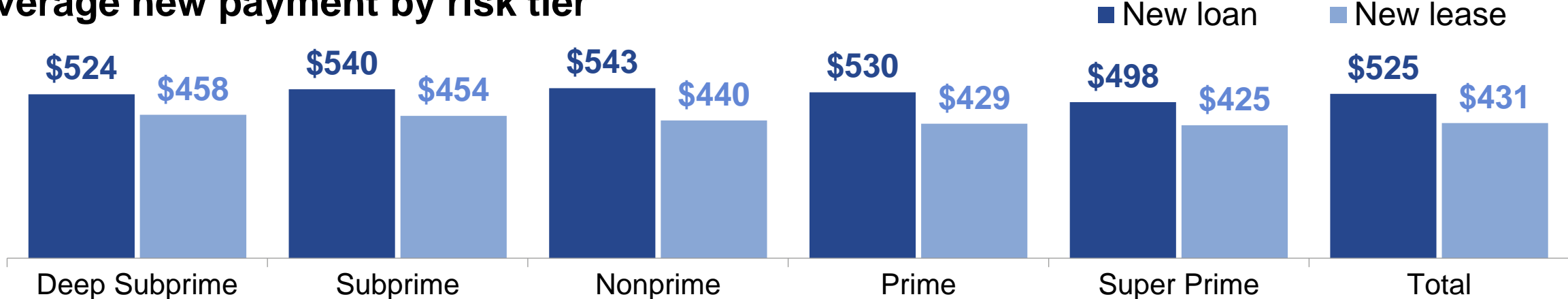
Year-over-year change in new payment

	Deep Subprime	Subprime	Nonprime	Prime	Super Prime	Total
New loan	$26	$21	$19	$20	$21	$20
New lease	$25	$22	$20	$18	$20	$19

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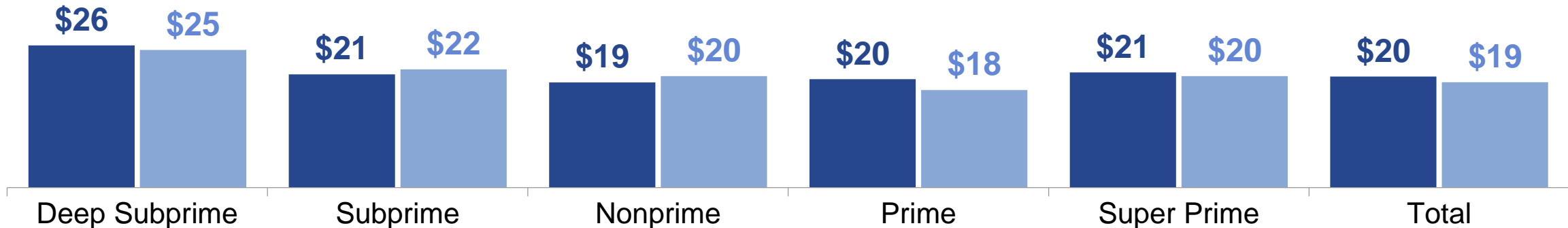
Average used payments also reach record highs

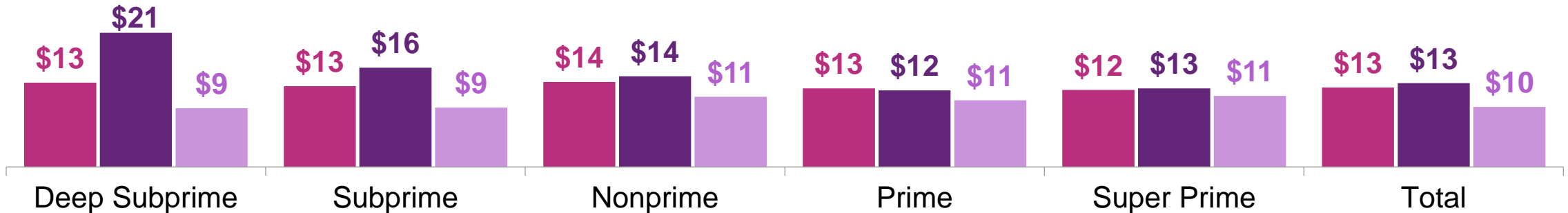**Average used payment by risk tier**

■ All used ■ Franchise used ■ Independent used

	Deep Subprime	Subprime	Nonprime	Prime	Super Prime	Total
All used	$395	$392	$379	$372	$371	$378
Franchise used	$404	$407	$399	$388	$385	$394
Independent used	$397	$386	$362	$348	$348	$365
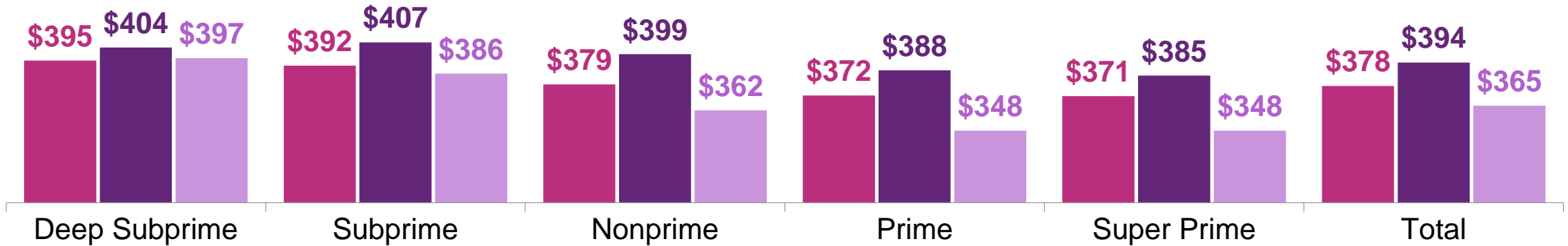
Year-over-year change in used payment

	Deep Subprime	Subprime	Nonprime	Prime	Super Prime	Total
All used	$13	$13	$14	$13	$12	$13
Franchise used	$21	$16	$14	$12	$13	$13
Independent used	$9	$9	$11	$11	$11	$10

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Gap between new and franchise used payments widen

Gap between new and used payments

■ Gap between new and used
■ Gap between new and Franchise used

Deep Subprime	Subprime	Nonprime	Prime	Super Prime	Total
$129 / $120	$148 / $132	$164 / $144	$158 / $141	$127 / $113	$147 / $131
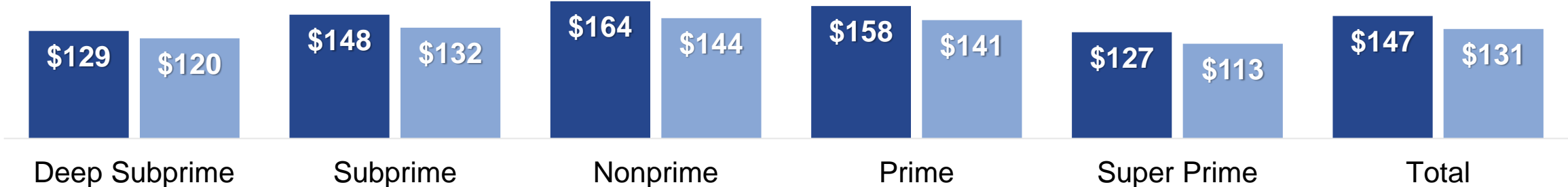
YOY change in payment gap

Deep Subprime	Subprime	Nonprime	Prime	Super Prime	Total
$9 / $7	$9 / $7	$9 / $9	$6 / $7	$3 / $4	$6 / $6

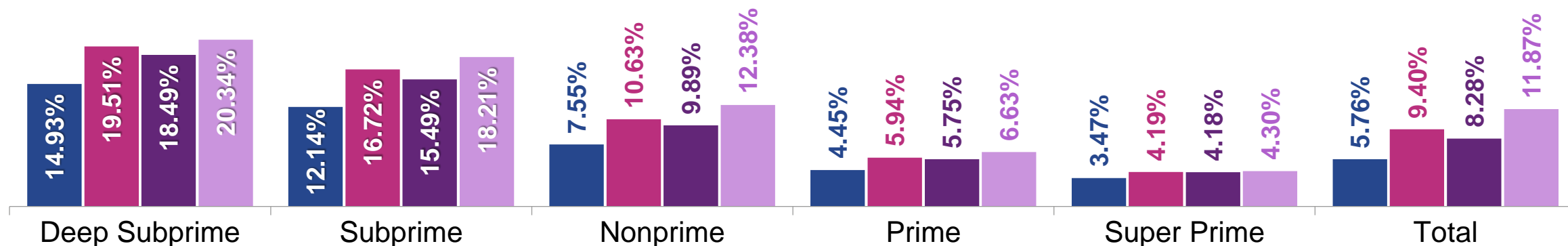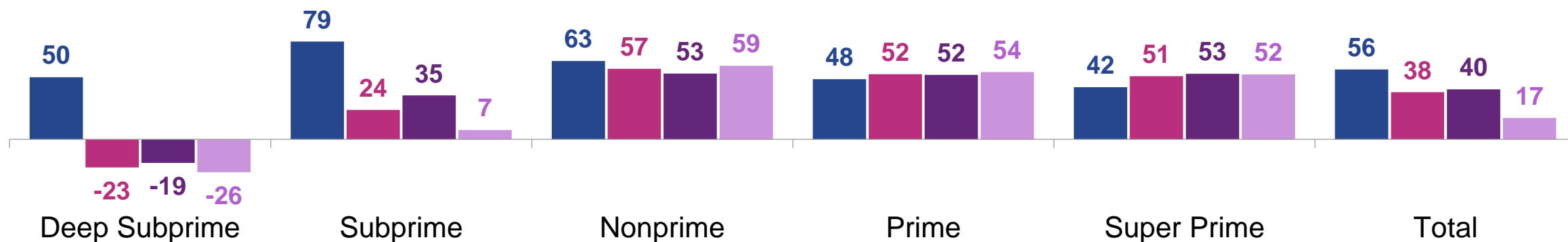**experian.**

Rates rise across the entire automotive loan market

Average loan rates by tier

Legend: ■ Avg New ■ All Used ■ Franchise used ■ Independent used

Tier	Avg New	All Used	Franchise used	Independent used
Deep Subprime	14.93%	19.51%	18.49%	20.34%
Subprime	12.14%	16.72%	15.49%	18.21%
Nonprime	7.55%	10.63%	9.89%	12.38%
Prime	4.45%	5.94%	5.75%	6.63%
Super Prime	3.47%	4.19%	4.18%	4.30%
Total	5.76%	9.40%	8.28%	11.87%

Year-over-year change (bps) in loan rate

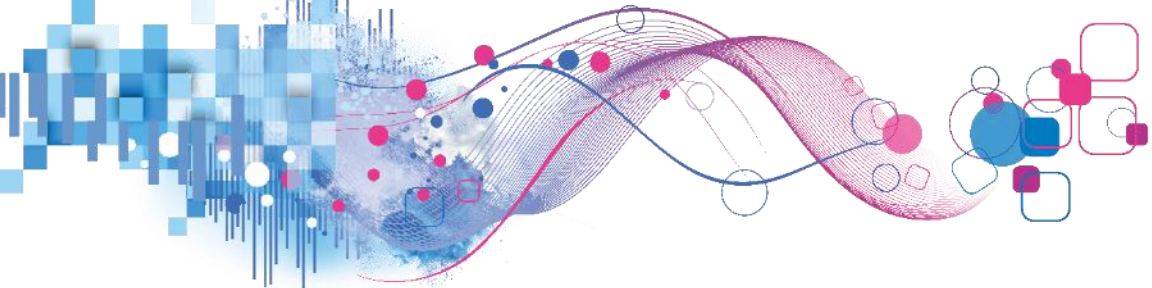| Tier	Avg New	All Used	Franchise used	Independent used
Deep Subprime	50	-23	-19	-26
Subprime	79	24	35	7
Nonprime	63	57	53	59
Prime	48	52	52	54
Super Prime	42	51	53	52
Total	56	38	40	17

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Summary

- Q2 continues a series of record highs for loan balances with credit unions maintaining double digit growth

- Overall delinquency improves driven by reductions in the credit union and finance company space

- Leasing remains over 30% of all new consumer vehicle sales yet decreases YOY

- Credit scores improve as lending continues to shift into more prime segments

- Subprime reaches Q2 record lows driven primarily by lows in used financing

- Loan amounts remain high with payments rising as interest rates increase

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