

COVID-19 Impacts and Key Drivers to Auto and RV Expected Losses

Agenda

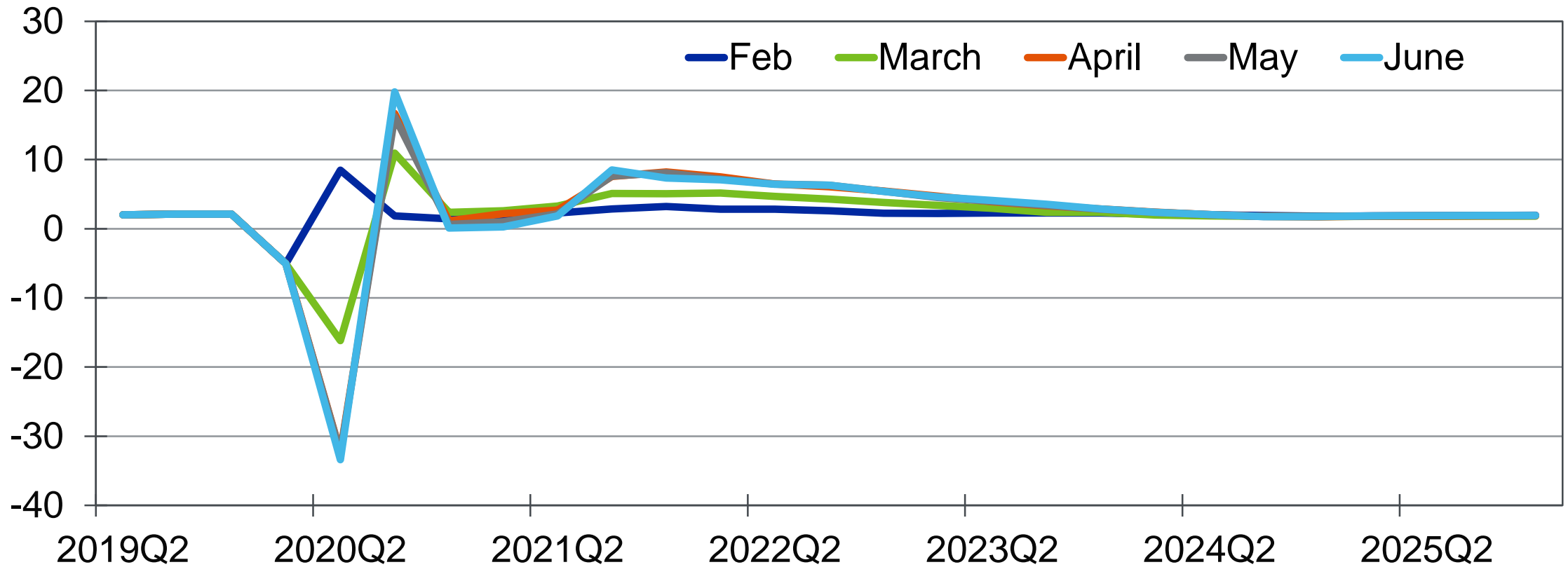
1. How COVID-19 Will Impact an Auto and RV Portfolio and Their CECL Allowances
2. Which Accounts Are More Sensitive to the Economy and Drive Losses
3. Methods to Analyze the Impact of Payment Accommodations on an Auto Portfolio

1

How COVID-19 Will Impact an
Auto and RV Portfolio and
Their CECL Allowances

Pre and Post COVID-19 Baseline Macro Outlook Changes

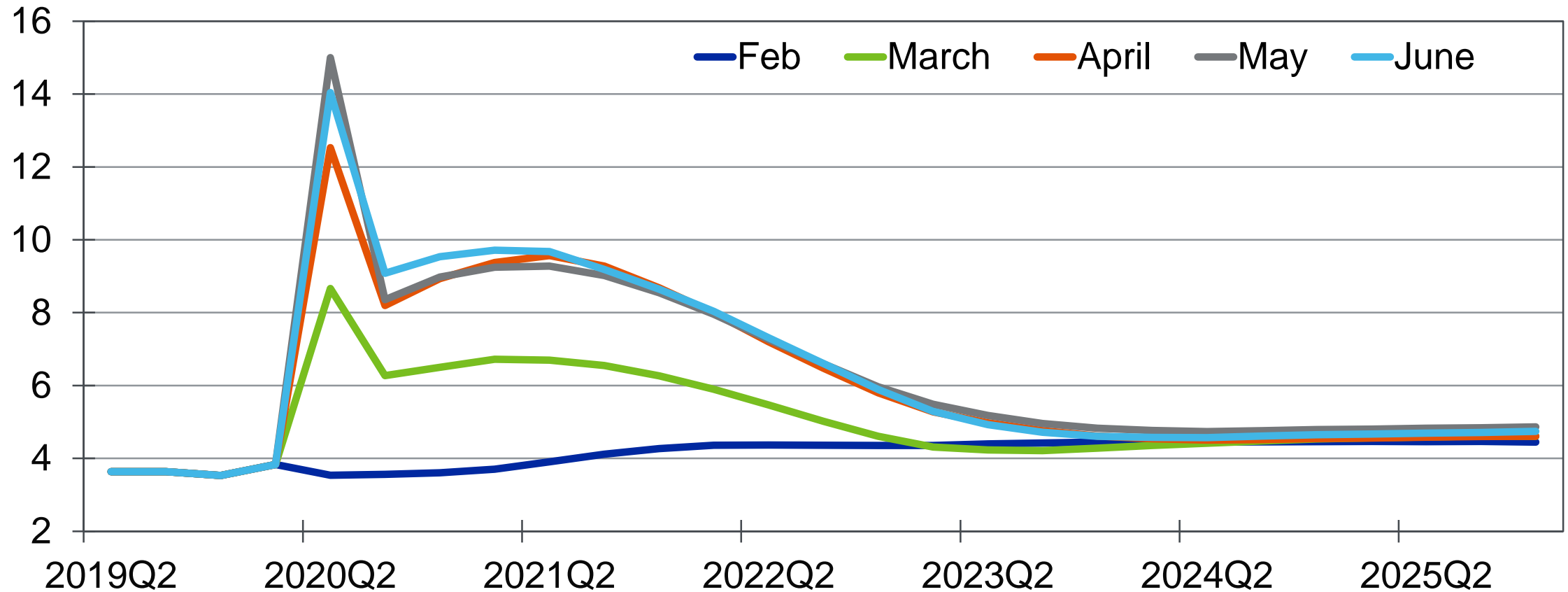
U.S. real GDP growth, SAAR (%)



Sources: BEA, Moody's Analytics

Pre and Post COVID-19 Baseline Macro Outlook Changes

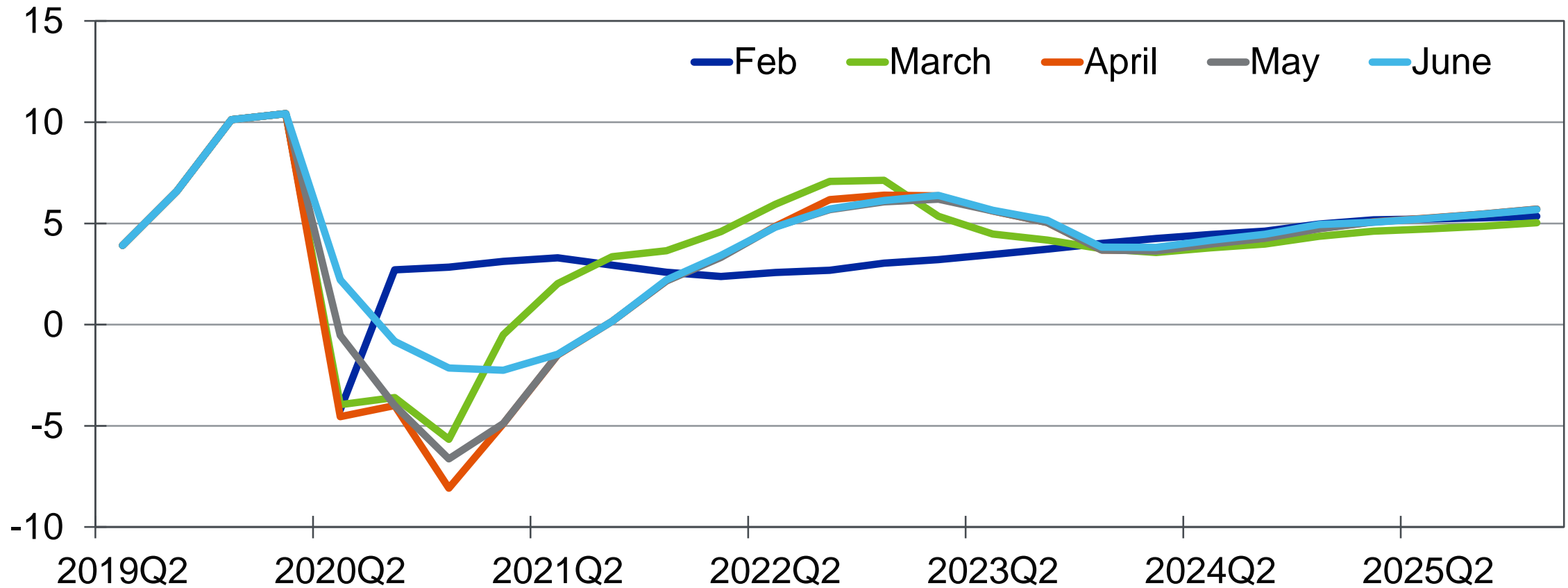
U.S. unemployment rate (%)



Sources: BLS, Moody's Analytics

Pre and Post COVID-19 Baseline Macro Outlook Changes

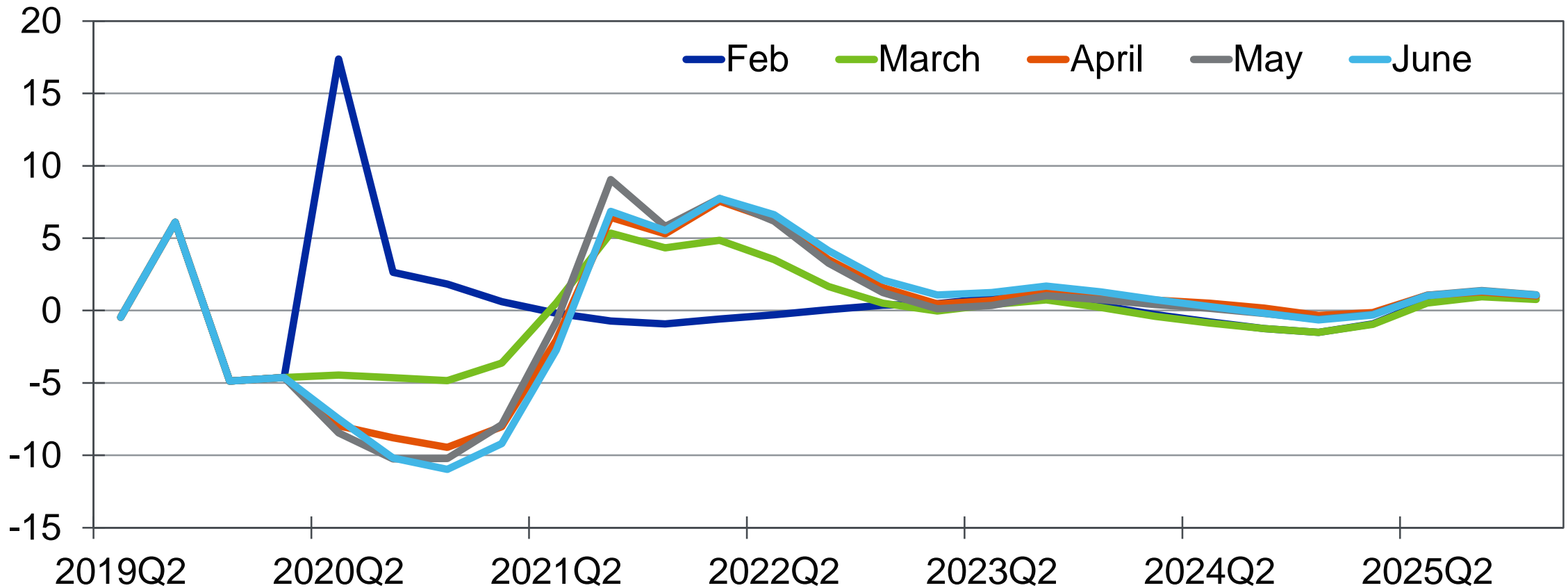
U.S. home price growth, SAAR (%)



Sources: NAR, Moody's Analytics

Pre and Post COVID-19 Baseline Macro Outlook Changes

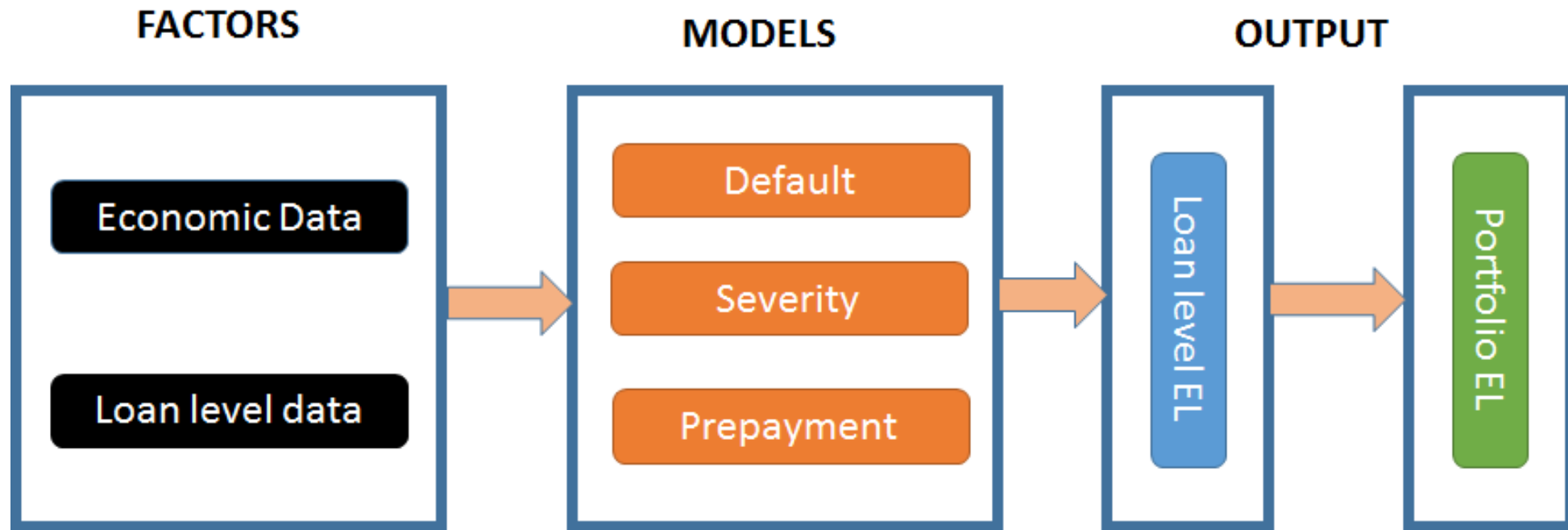
U.S. Used Car Index growth, SAAR (%)



Sources: BLS, Moody's Analytics

Auto Portfolio Analyzer - How It Works

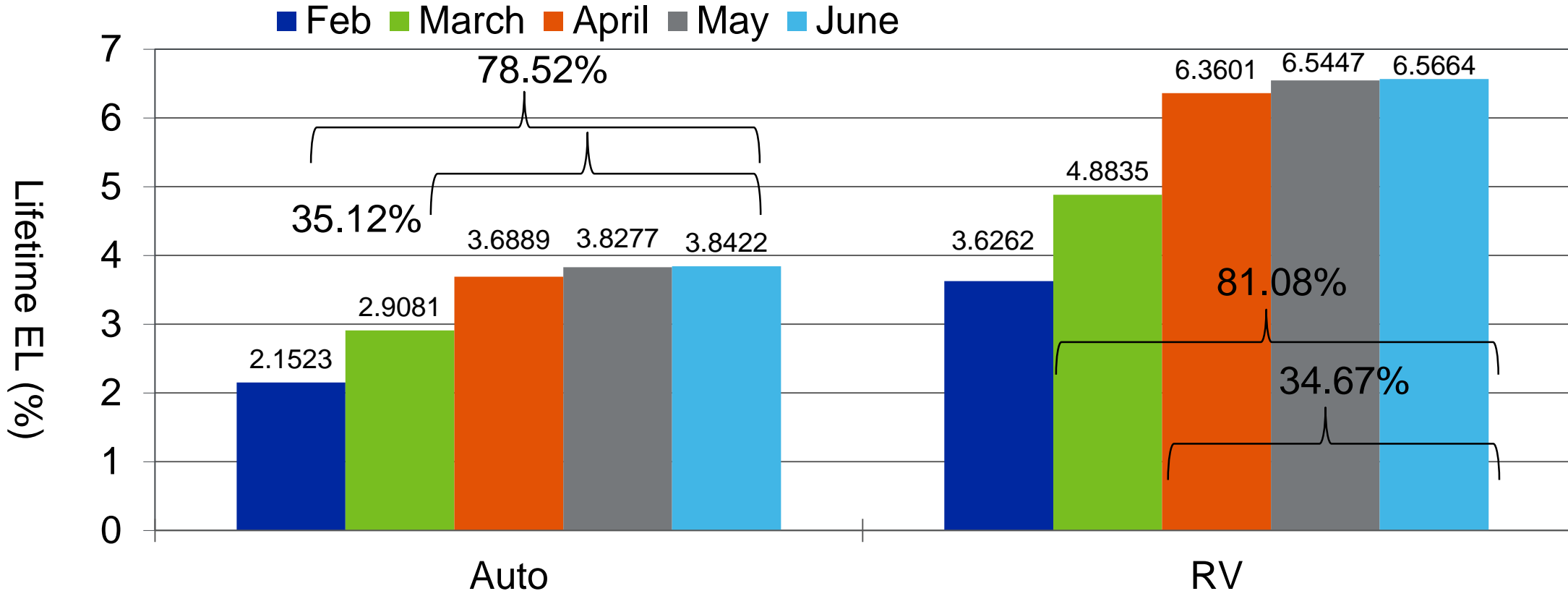
APA models default, prepayment, and severity for each loan, taking as input information on the borrower, loan, make of car, and local & national macro-economic factors.



Source: Moody's Analytics

CECL Lifetime Expected Losses Change Since COVID-19

January, 2020 0.5 million Auto Loan vs. 7,000 RV randomly sample portfolio March Run Results



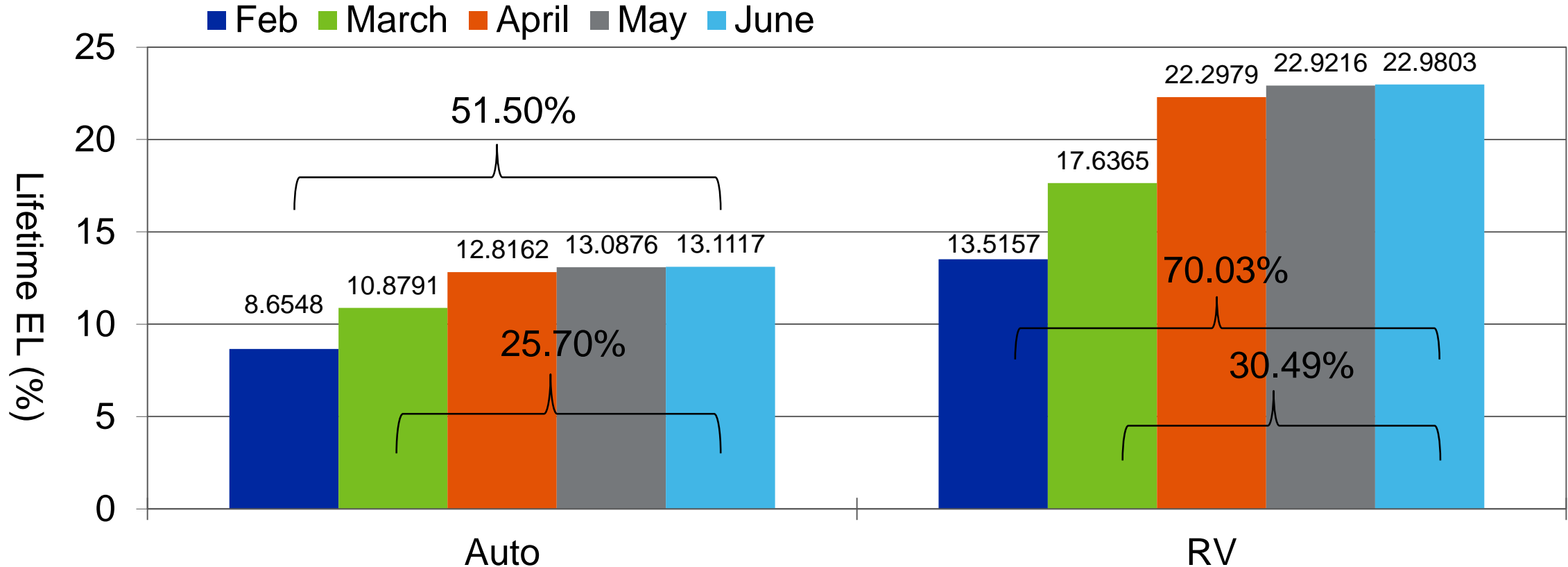
Sources: Moody's Analytics, Auto Portfolio Analyzer

2

Which Accounts Are More
Sensitive to the Economy and
Drive Losses

Low Vantage Score ≤ 600 Loans Are the Least Sensitive to Macro Shocks

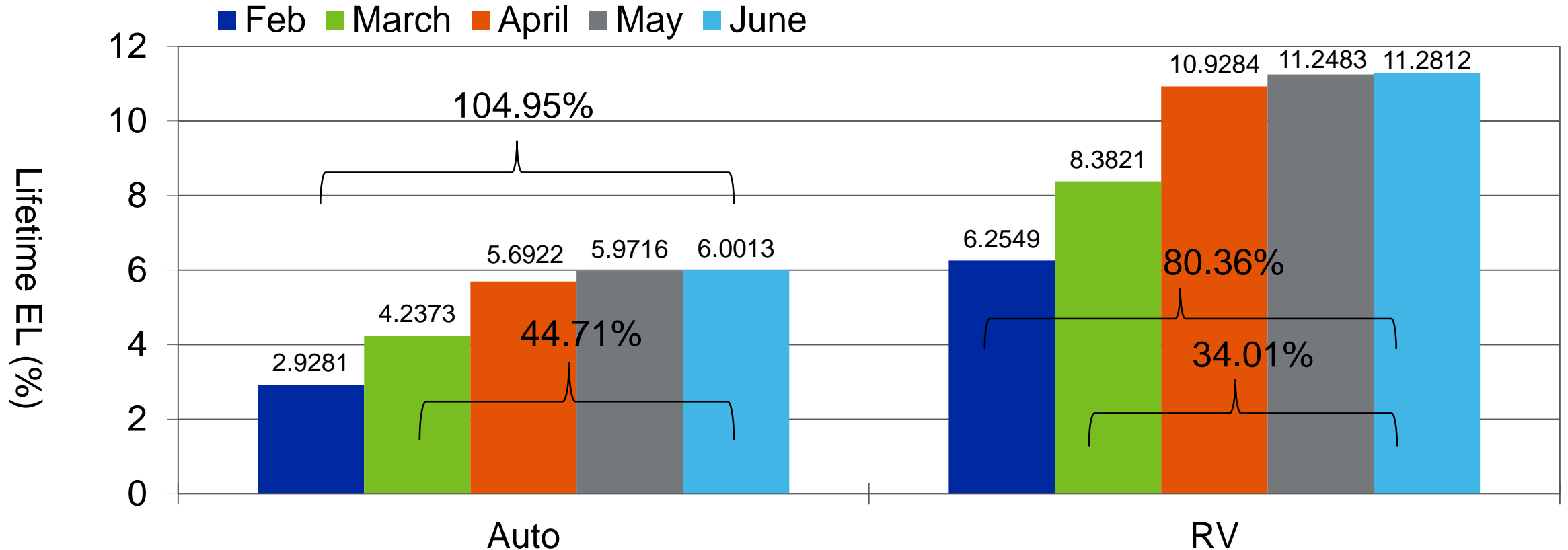
CECL Lifetime Expected Losses



Sources: Moody's Analytics, Auto Portfolio Analyzer

Medium Vantage Score (600-700]

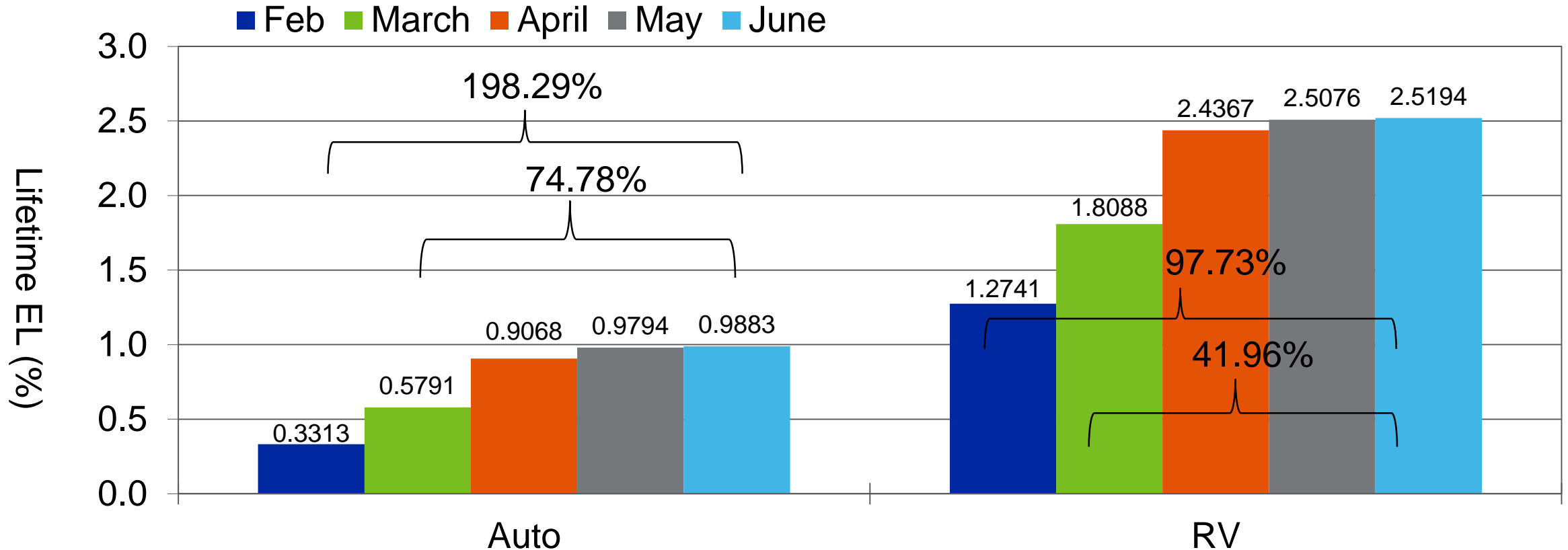
CECL Lifetime Expected Losses



Sources: Moody's Analytics, Auto Portfolio Analyzer

Medium Vantage Score (700-800]

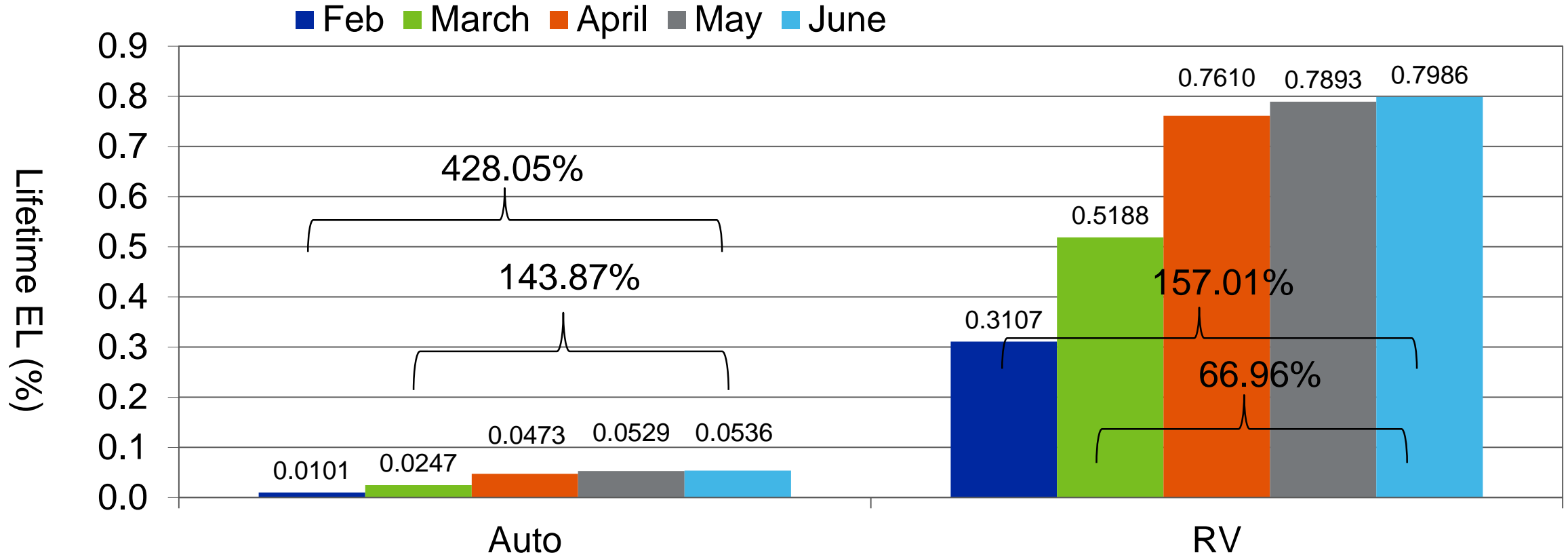
CECL Lifetime Expected Losses



Sources: Moody's Analytics, Auto Portfolio Analyzer

High Vantage Score > 800 Loans Are the Most Sensitive to Macro Shocks

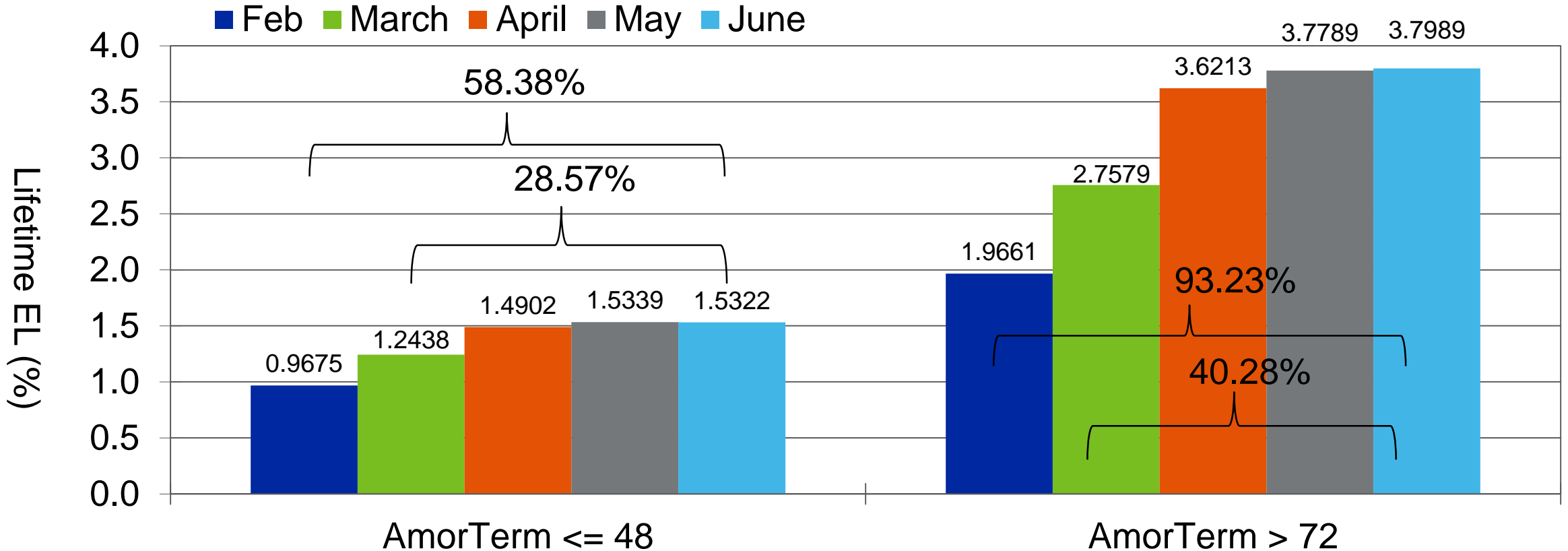
CECL Lifetime Expected Losses



Sources: Moody's Analytics, Auto Portfolio Analyzer

Loans With Longer Loan Terms Are More Sensitive to Macro Shocks

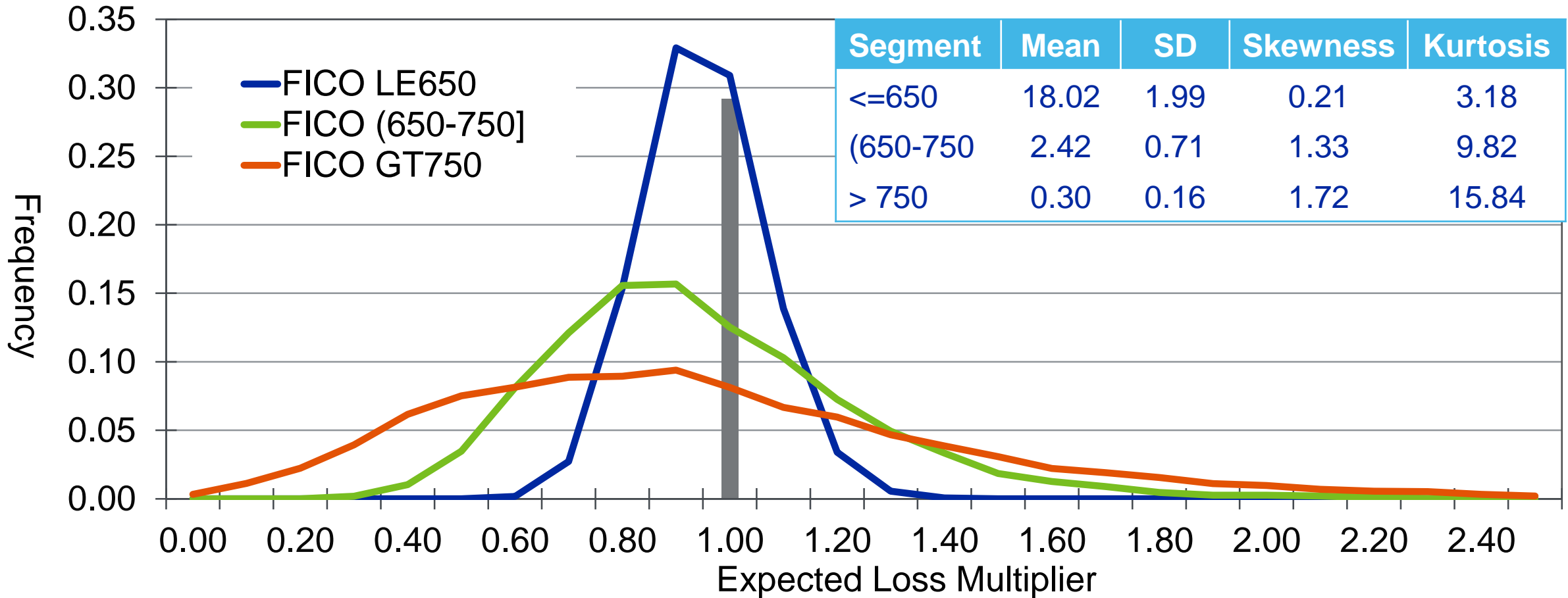
CECL Lifetime Expected Losses for Auto Loans



Sources: Moody's Analytics, Auto Portfolio Analyzer

Auto Loan – High Vantage Score Is More Sensitive to Macro Shock

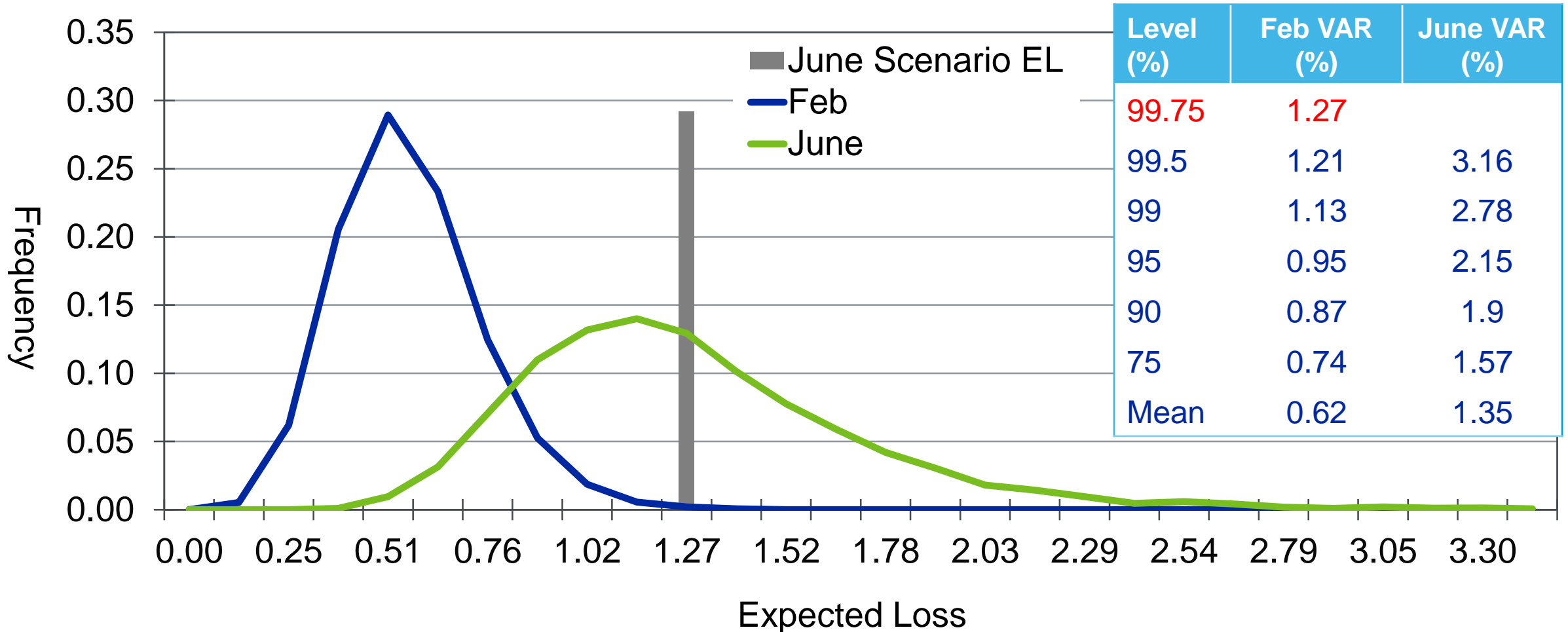
June Baseline Loss Distribution From Monte Carlo Simulation Results



Sources: Moody's Analytics, Auto Portfolio Analyzer

Auto Loan – Unthinkable Unexpected Losses Due to COVID-19

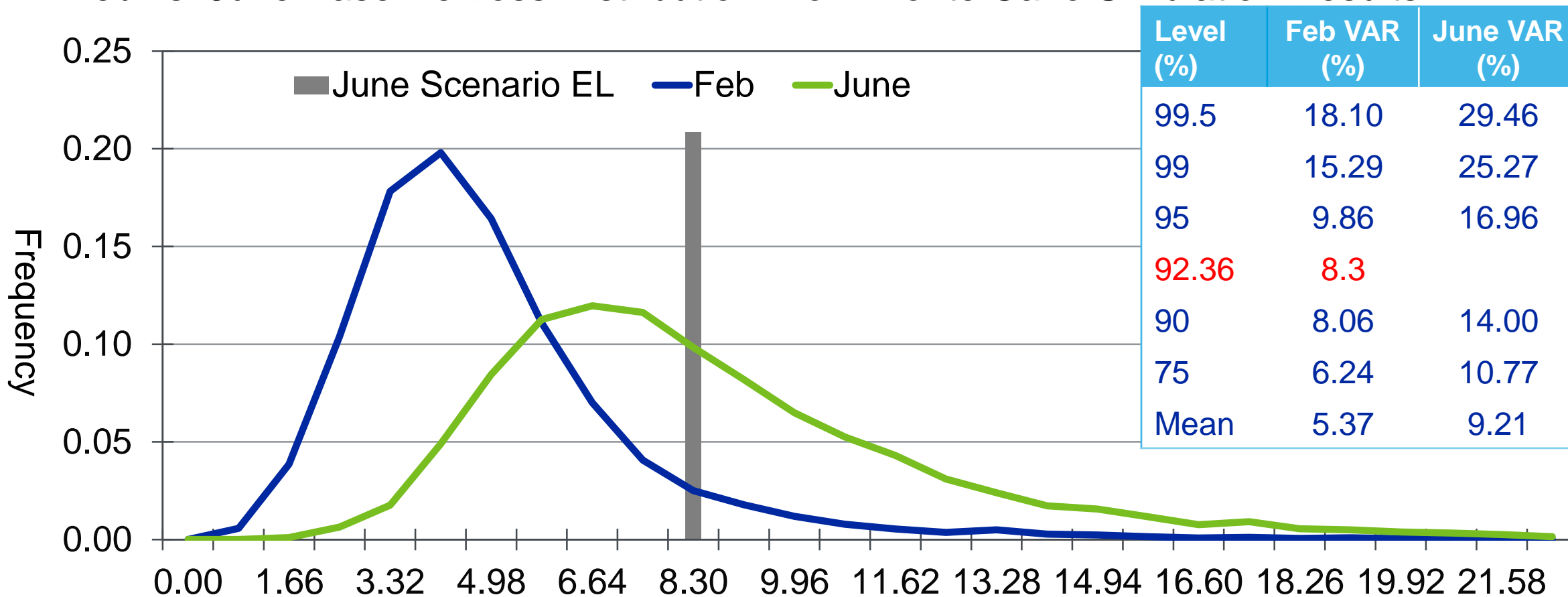
Feb vs. June Baseline Loss Distribution From Monte Carlo Simulation Results



Sources: Moody's Analytics, Auto Portfolio Analyzer

RV – Unexpected Losses Due to COVID-19

Feb vs. June Baseline Loss Distribution From Monte Carlo Simulation Results



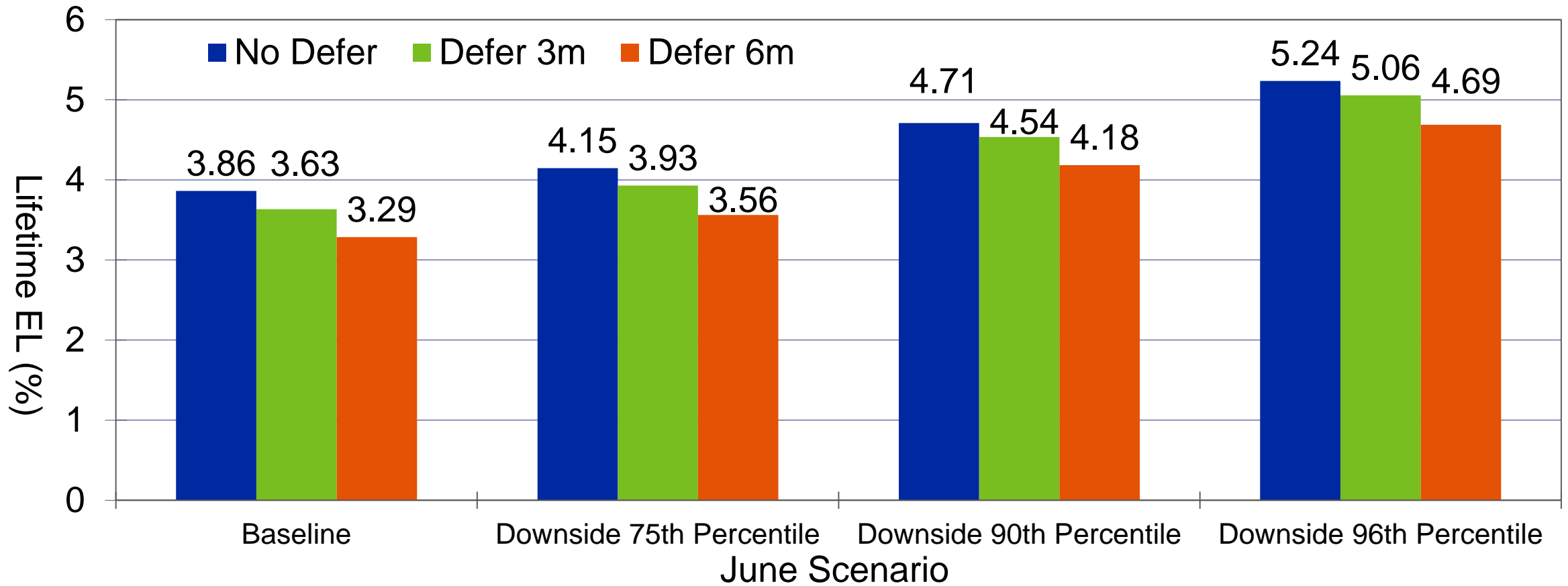
Sources: Moody's Analytics, Auto Portfolio Analyzer Expected Loss

3

Methods to Analyze the Impact
of Payment Accommodations
on an Auto Portfolio

Payment Deferral Impacts Highly Lies on the Macro Assumption

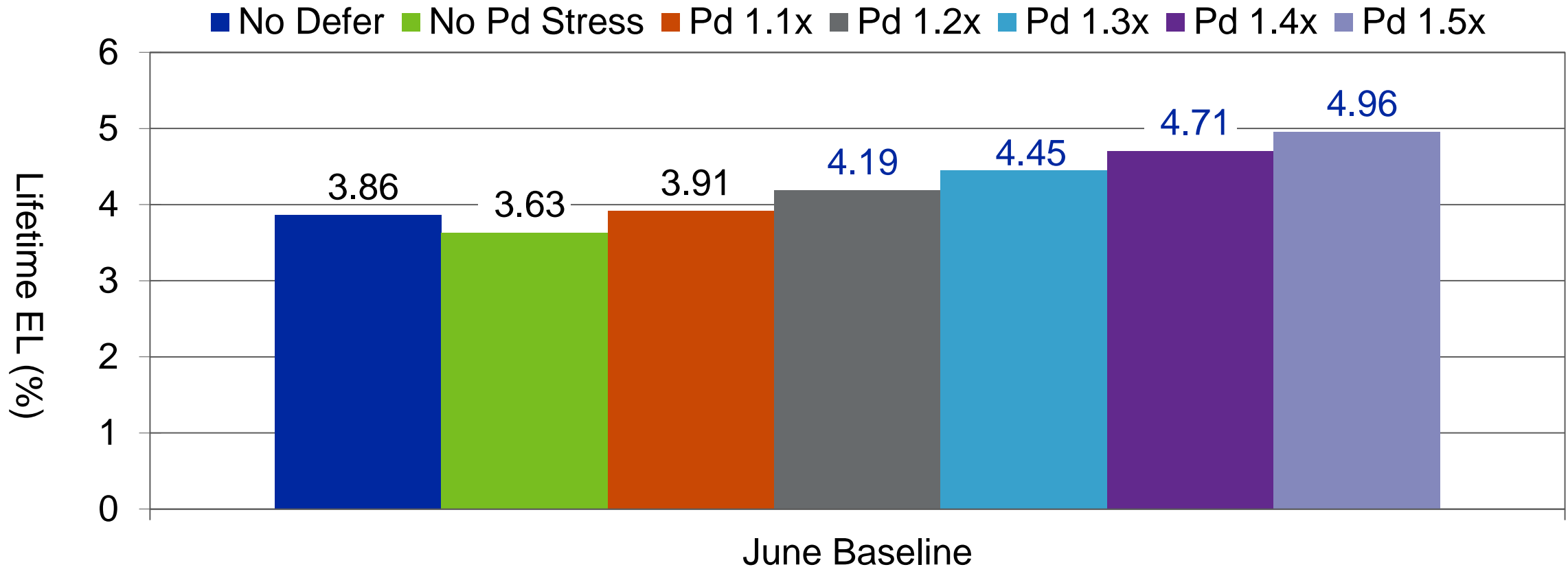
V, U or W-Shaped Recovery



Sources: Moody's Analytics, Auto Portfolio Analyzer

How to Capture the Implied Higher Risk of a Deferred Payment Loan From the One Without

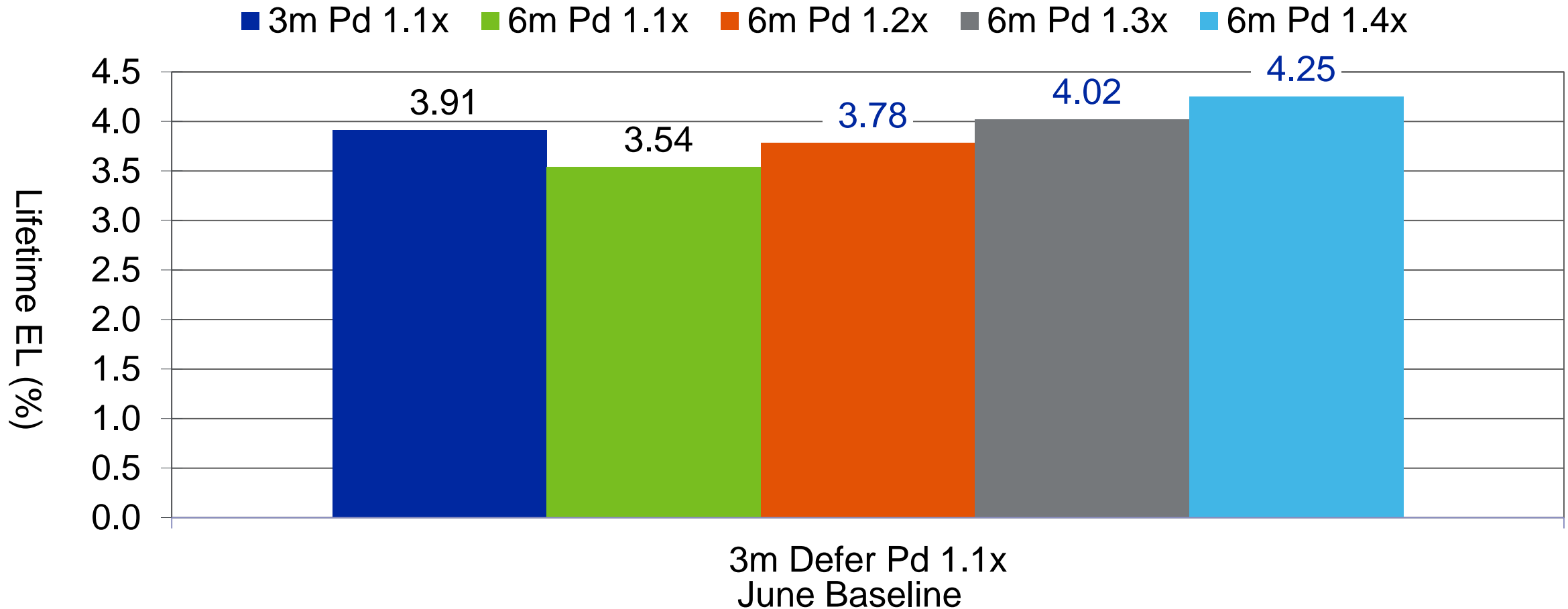
Stress Probability of Default – 3 months deferred payments



Sources: Moody's Analytics, Auto Portfolio Analyzer

Longer Deferred Plan Needs More Stress

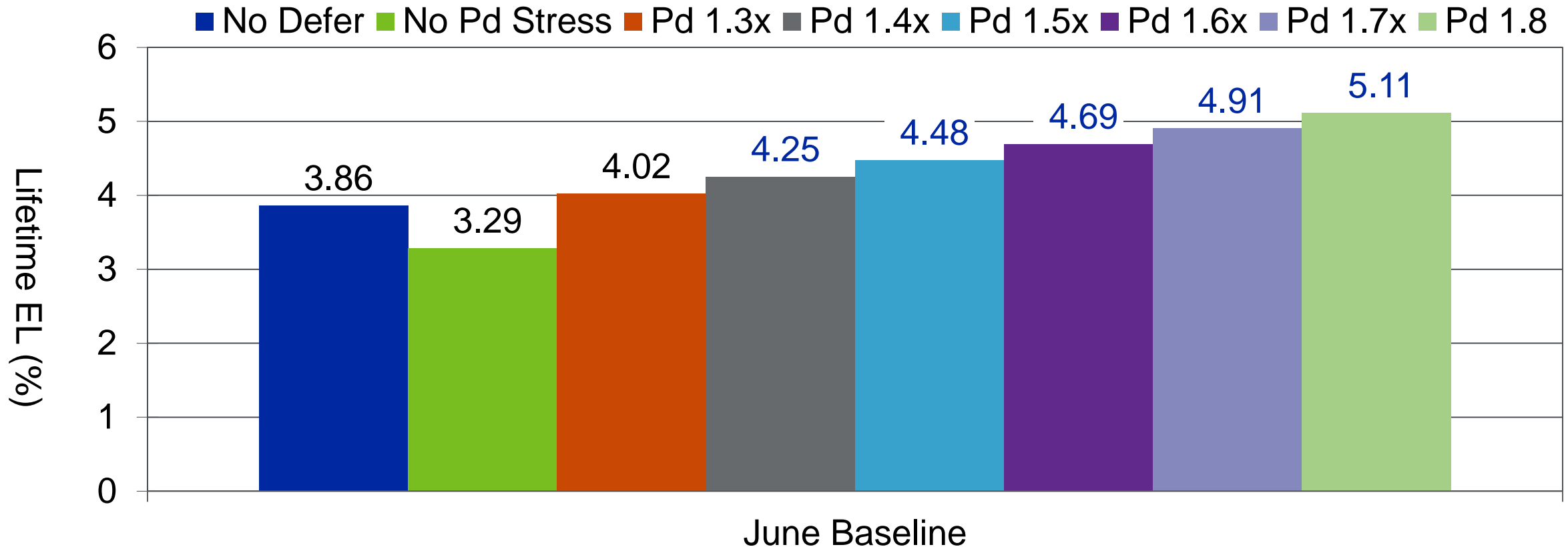
Borrowers who need longer deferred terms are likely under more stress and with higher default risks.



Sources: Moody's Analytics, Auto Portfolio Analyzer

An Alternative Way to Set a Possible Expected Losses Range than Stressing Scenarios

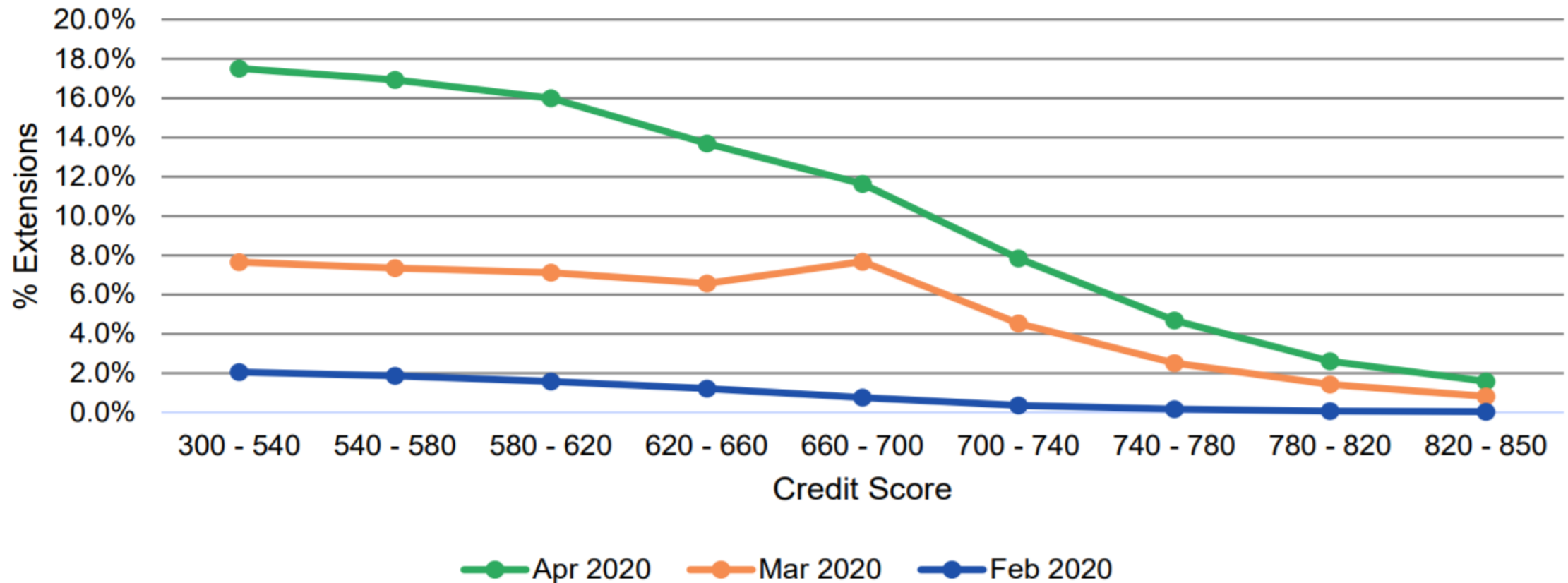
Stress Probability of Default – 6 months deferred payments



Sources: Moody's Analytics, Auto Portfolio Analyzer

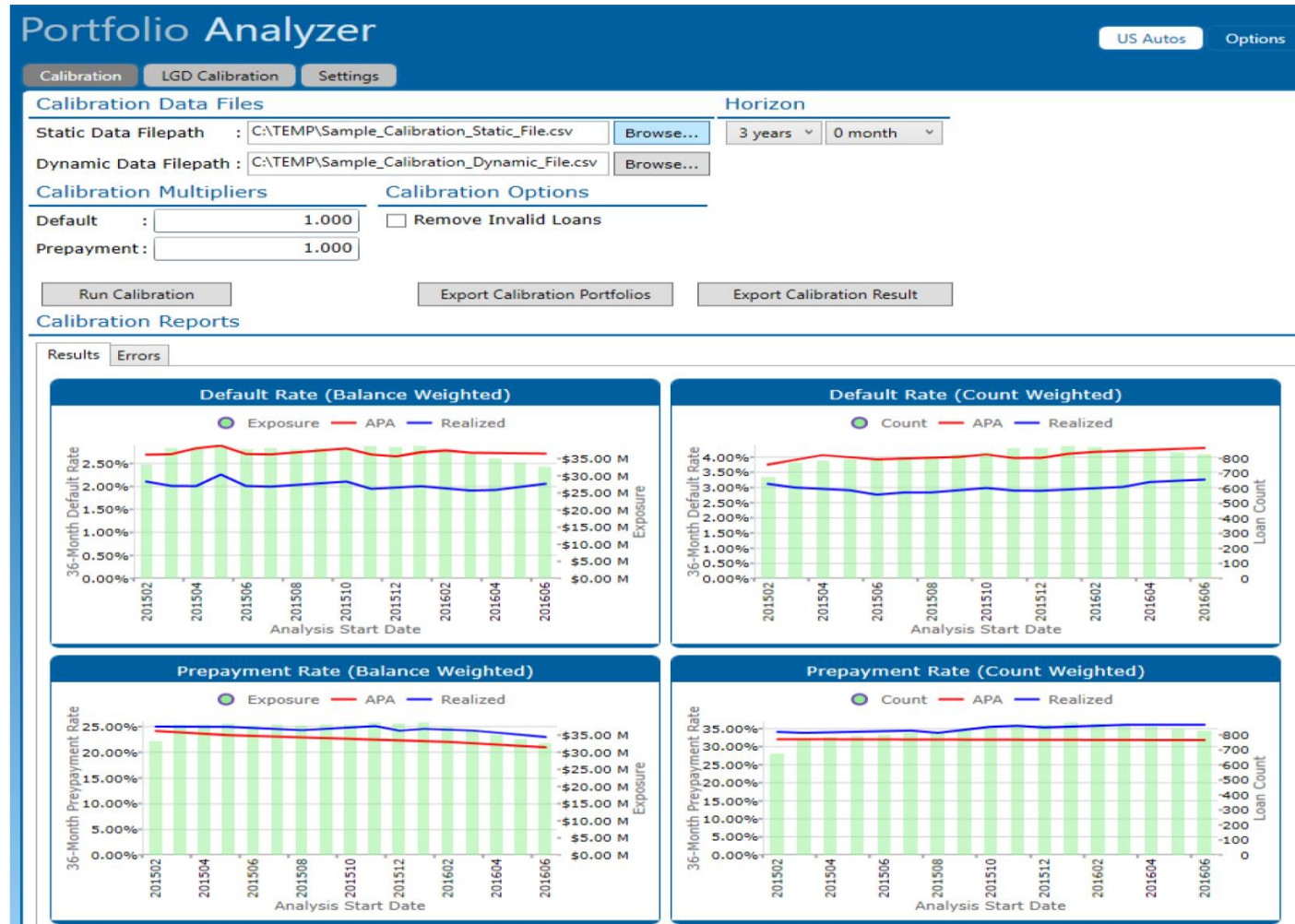
Loan Extension Has Increased Across All Borrowers

Extension percentage by credit score



Sources: EDGAR/Moody's Analytics DataViewer

Easy to Back Test and Calibrate to Different Portfolios



Sources: Moody's Analytics, Auto Portfolio Analyzer

Questions & Answers

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