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Adam Smith Webinars

Hyundai Capital

Cars run on credit, not gas!

PRESENTERS



Eric Senay
Vice President
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Director of Capital Markets
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Editorial & Research Director
Treasury Today

Hyundai Capital America

Adam Smith 2015
Top Treasury Team



New Car Loans

CPO Loans

New Car Leasing

Dealer Finance

Vehicle Protection



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Hyundai Motor Group Overview

Parent
HYUNDAI
MOTOR GROUP

Local OEMs



Subvention Support

Financing Programs

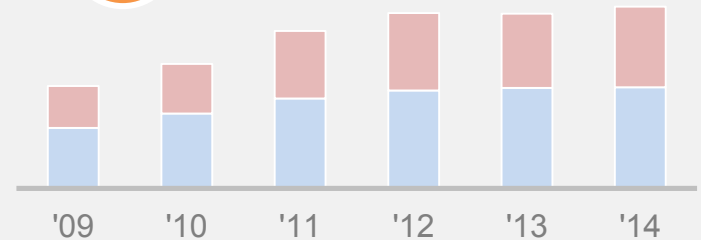
Captive Finance

Hyundai Capital

Top 5 global Auto OEM¹

2x

U.S. Sales Growth



Established in 1989 to support U.S. sales

Scale - Top 10 U.S. Auto Finco²

5x

Asset Growth



Sources: Company data as of June 30, 2015

¹ OEM global sales releases by units sold for CY '14

² Experian 'State of the Automotive Finance Market - Q1 2015' - Top 20 lenders in the NEW retail loan market

Hyundai Capital America (HCA) Overview

Comprehensive Product Line

Consumer Finance

- New car loans
- New car leases
- Used car & CPO loans

Dealer Finance

- Floorplan
- Working capital
- Real estate

Vehicle Protection

- GAP
- VSC
- Prepaid maintenance

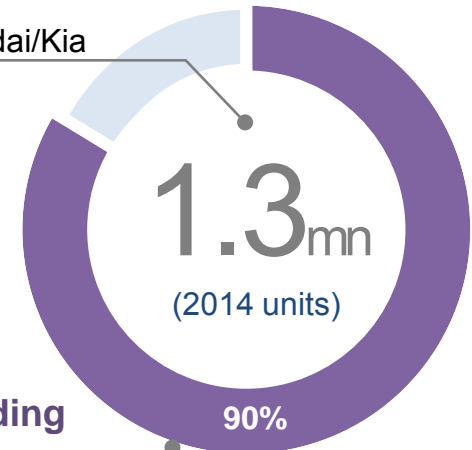
National Coverage



Strategic Market Positioning

U.S. Vehicle Sales

2nd largest auto market for Hyundai/Kia



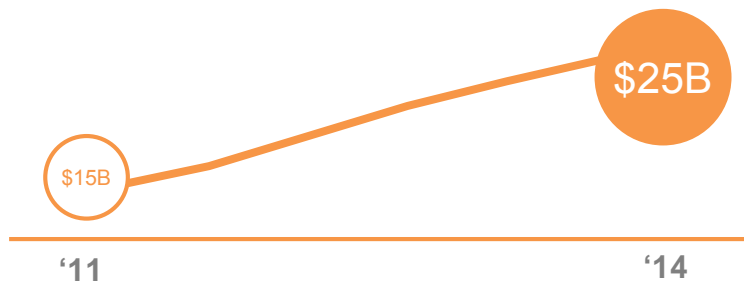
New Car Lending

90% of OEM U.S. sales are financed

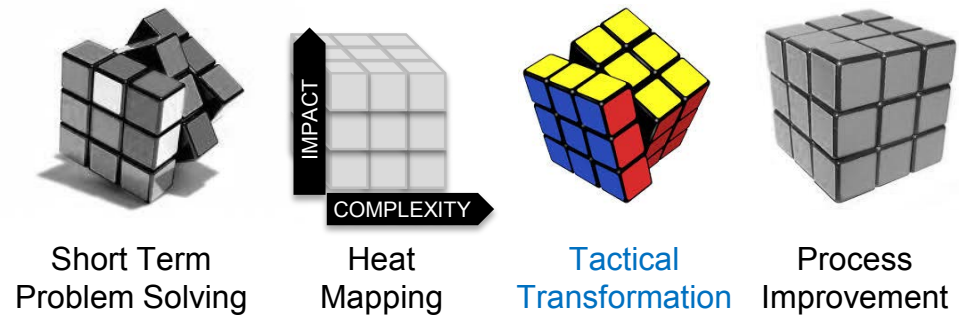
Key Steps of Treasury Transformation

Key Issues & Challenges

Rapid Asset Growth



Growing Complexity



Transformation Milestones

New Domains
of Expertise

Enhanced
Analytics

Balance Sheet
Exposure
Management

Stakeholder
Management

Liquidity
Optimization

Funding
Diversification

Fit for Purpose Organization

Head of Treasury

Eric Senay,
Vice President, Treasurer

- GE Capital, General Motors
- 20 years of experience
- Business Treasurer in three different GECC global businesses



Strategic Planning & Expo. Mgt.

Mustally Hussain,
Senior Director

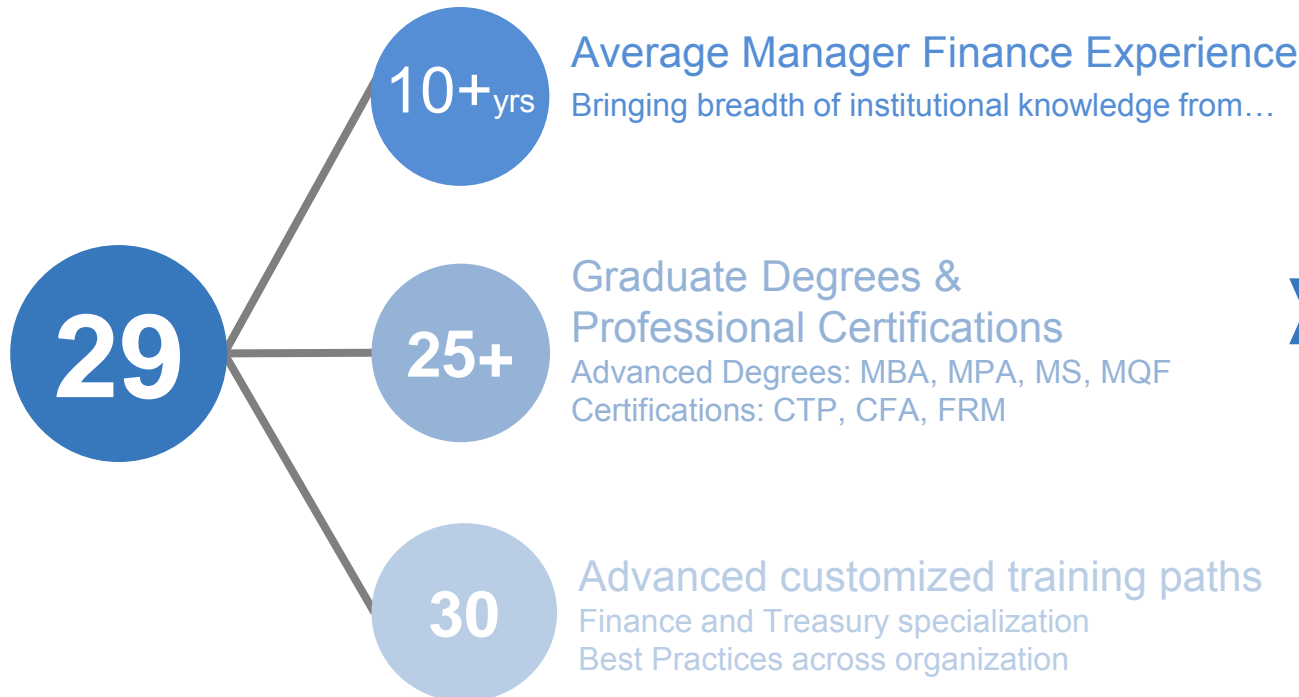
- National Grid, Citigroup, Analysis Group
- 14 years of experience
- Led NatGrid's financial strategy group; advised on \$5B in transactions



Capital Markets & Banking

Charley Yoon,
Senior Director

- Bank of Tokyo, Pac-Life, Hyundai Motor
- 22 years of experience
- Led stand-alone credit ratings for HCA (2012), raised over \$25B in funding



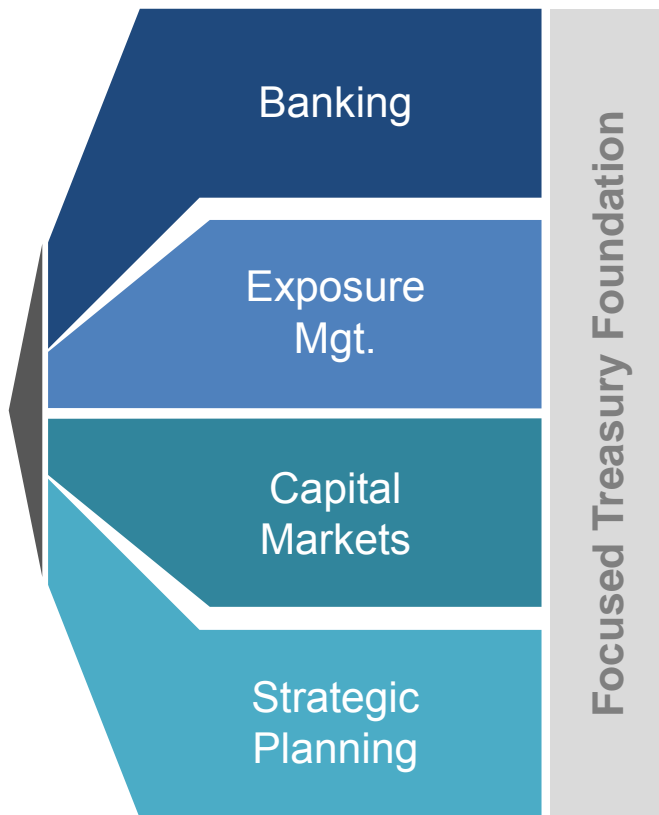
Tested field Expertise:

Debt Capital Markets
Securitizations
Cash Management
Risk Management
Financial Strategy
Hedge Funds
Fortune 500 Corporate Fin.
Competitors
Consulting
Investment Banking

Converting Treasury Operational Pillars Into Domains

- Build required depth and expertise through strategic hires and specialized training

Operational Pillars



Dedicated Domains

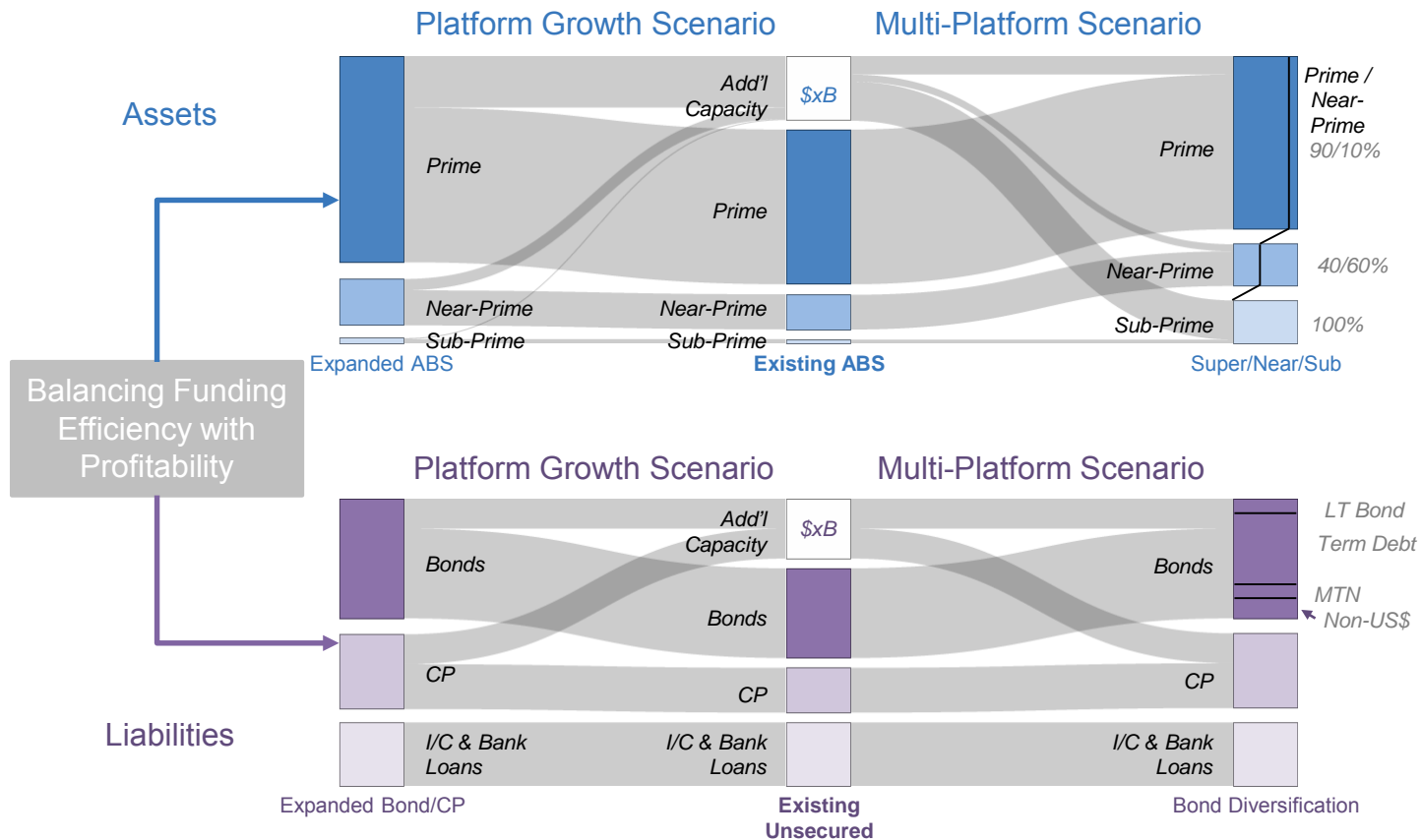


Analytical Framework to Navigate Changing Business

- Changing asset mix + new funding channels required more dynamic framework to manage interest expense and business constraints

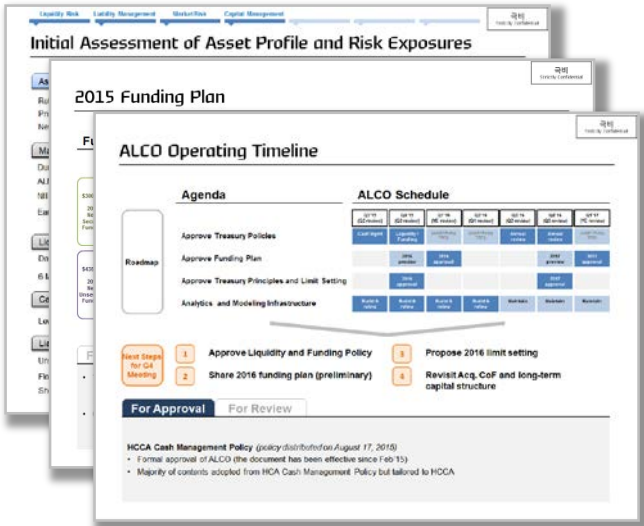
			2014 CoF	Collateral Flexibility	Business Constraints	Untapped Capacity
Sources of External Capital	Secured	ABS		👎👎	<ul style="list-style-type: none"> Asset quality Rigid SLAs 	●
		Conduit		👎	<ul style="list-style-type: none"> Monthly disclosure Regulatory scrutiny 	●
	Unsecured	Commercial Paper		👍	<ul style="list-style-type: none"> Marginally higher blended funding costs 	●
		Bank Funding		👍	<ul style="list-style-type: none"> Additional internal oversight Lengthy approval process 	●
		Bond		👍👍		●
	Internal Funding	Parent & Affiliates			👍	<ul style="list-style-type: none"> Internal approval process

New Tools Support Robust Funding Analytics and Sensitivities

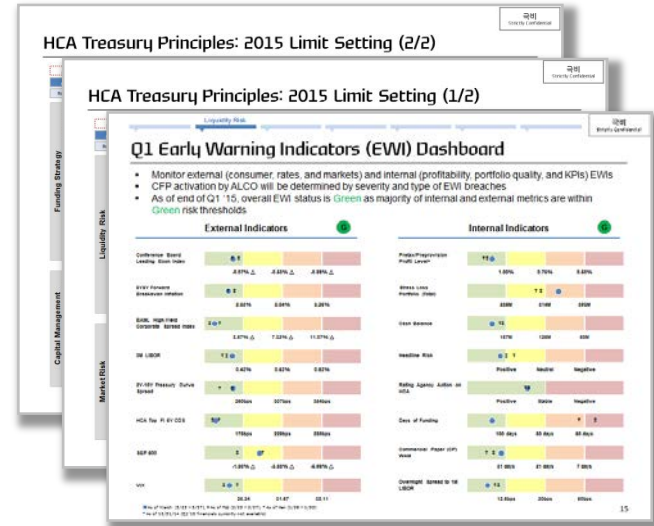


Enhancing Executive Communication And Decision-Making

ALCO & Risk Management



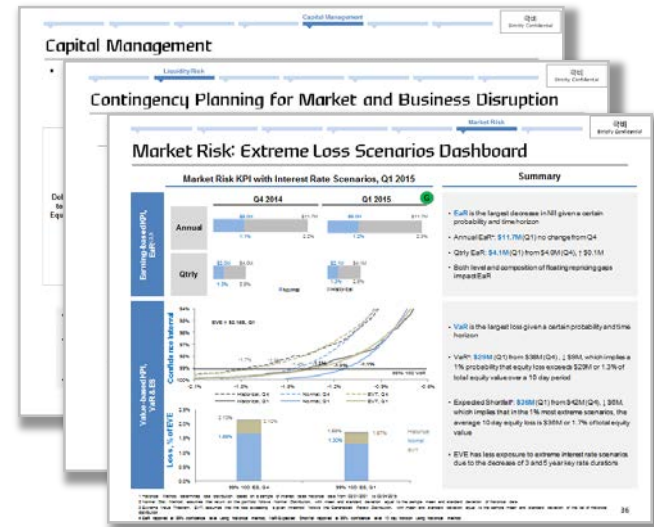
Internal & External Metric Monitoring



Market Risk Exposure



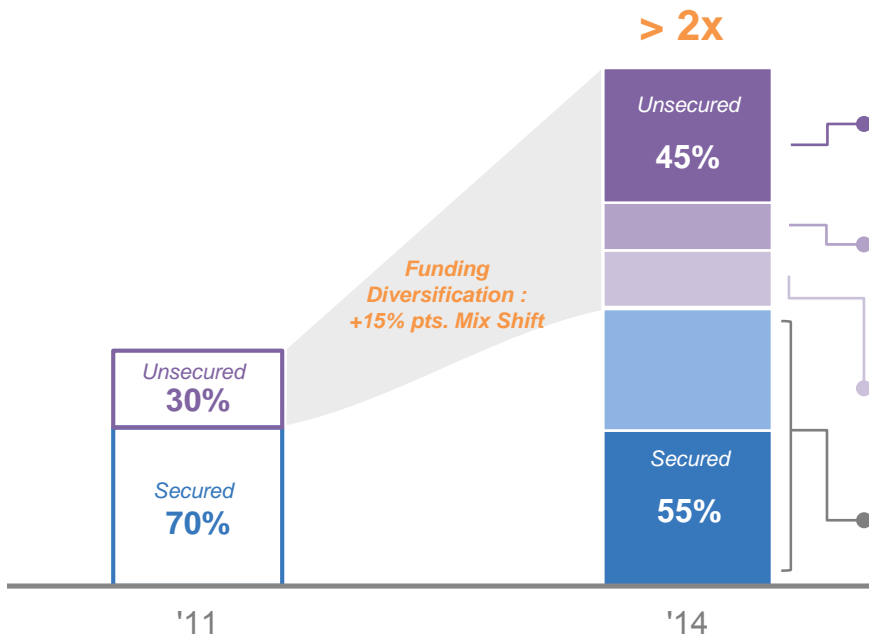
Scenario Analytics & Stress Testing



Funding Diversification Strategy

- Targeting optimal balance between funding diversification and cost of funds
 - Launched new funding platforms: IG bonds & CP
 - >200 investor meetings in '13-'14

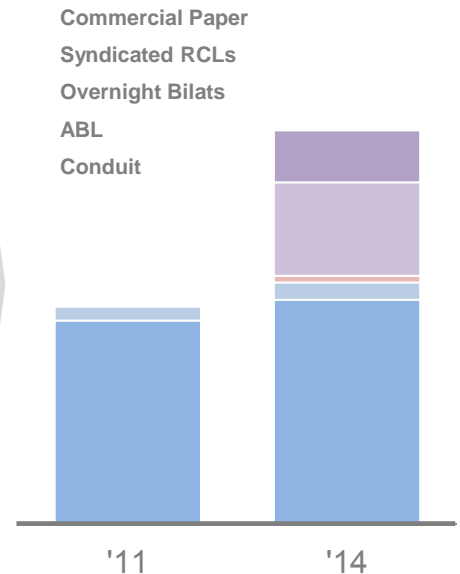
HCA Debt Balance



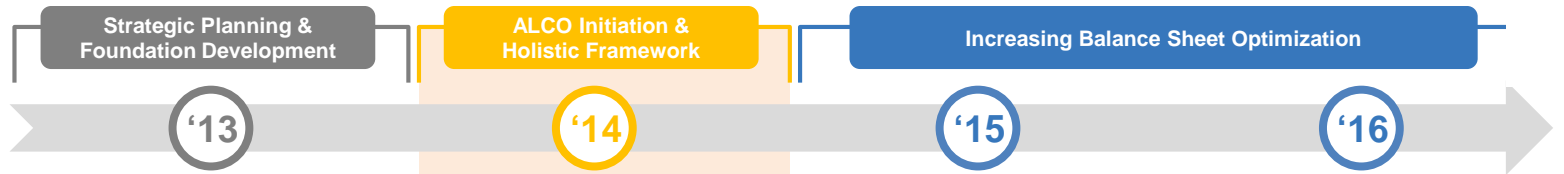
Stable Diversification

- 1 Initiate IG Bond
Establish MTN "Shelf"
- 2 Launch Program for
Commercial Paper
- 3 Optimize Multiple
Bank Facilities
- 4 Sustain Secured
Funding Platform

Sustainable Liquidity



Evolution of HCA's Funding and Exposure Management



	'13	'14	'15	'16
Liquidity Risk	<ul style="list-style-type: none"> Debt Coverage Ratio 	<ul style="list-style-type: none"> Holistic Framework¹ Collateral Management 	<ul style="list-style-type: none"> Liquidity Stress Scenarios Contingent Liquidity 	<ul style="list-style-type: none"> Target Balance Sheet
Liability Management	<ul style="list-style-type: none"> Unsecured Debt Mix 	<ul style="list-style-type: none"> Holistic Framework¹ FTP (Acquisition Cost of Funds) 	<ul style="list-style-type: none"> Matched Funding Development 	<ul style="list-style-type: none"> Matched Funding Live Target Balance Sheet
Market Risk	<ul style="list-style-type: none"> - 	<ul style="list-style-type: none"> Holistic Framework¹ In-House Excel-Based Analytics 	<ul style="list-style-type: none"> Hedging Framework ALM Implementation 	<ul style="list-style-type: none"> ALM Live Target Balance Sheet Dynamic ALM Strategies
Capital Management	<ul style="list-style-type: none"> Leverage Ratio Residual Sale 	<ul style="list-style-type: none"> Leverage Ratio 	<ul style="list-style-type: none"> Holistic Framework¹ 	<ul style="list-style-type: none"> Capital Planning Target Balance Sheet
Treasury Operational Risk	<ul style="list-style-type: none"> Companywide Policies and Procedures (P&P) 	<ul style="list-style-type: none"> Holistic Framework¹ (P&P and RCSA) 	<ul style="list-style-type: none"> Framework Enhanced (ORE, P&P, & RCSA) Systems: Treasury and ALM workstations 	<ul style="list-style-type: none"> Optimized Efficiency and Minimal Errors via Framework and Systems
Investment Risk	<ul style="list-style-type: none"> In-House Excel-Based Analytics 	<ul style="list-style-type: none"> Holistic Framework¹ Best-in-class Analytics 	<ul style="list-style-type: none"> KPI Expansion Investment Strategy Expansion 	<ul style="list-style-type: none"> Investment Strategy Expansion (Cash Management)
FI Counterparty Risk	<ul style="list-style-type: none"> Concentrations and Credit Ratings 	<ul style="list-style-type: none"> Holistic Framework¹ 	<ul style="list-style-type: none"> Enterprisewide Coordination 	<ul style="list-style-type: none"> CVA Stress Testing

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¹ Holistic framework is defined as risk area strategy, action plan, and KPIs as reported into ALCO.

Holistic Analytics of Funding Costs & Funding Risk

Integrated Liability Management

Foundation of balance



Best practices

- Advanced Treasury Analytics
- Stress Testing
- Dynamic Asset Liability Mgt

Liquidity Risk

Liability Management

Market Risk

Counterparty (Cpty) Risk Management

Capital Management

Investment Risk

Operational Risk

Days of Funding

Unsecured Mix

Duration of Equity

Max Bank Credit

Leverage (D/E)

Insurance Investment

RCSA

Liquidity Gap

Floating Mix

Net Interest Income

Max Swap Exposure

Capital Adequacy

Libor OIS Spread

Risk Events (OREs)

6M Liquidity Coverage

Short-Term Mix

Earnings at Risk

Exposure Concentration

Fixed Charge Coverage

IG Spread

Near-Miss Events (NMEs)

24M Coverage

Maturity Ladder

ALM Ratio

Investor Concentration

ALR Grade

Tracking Error

Policies & Procedures

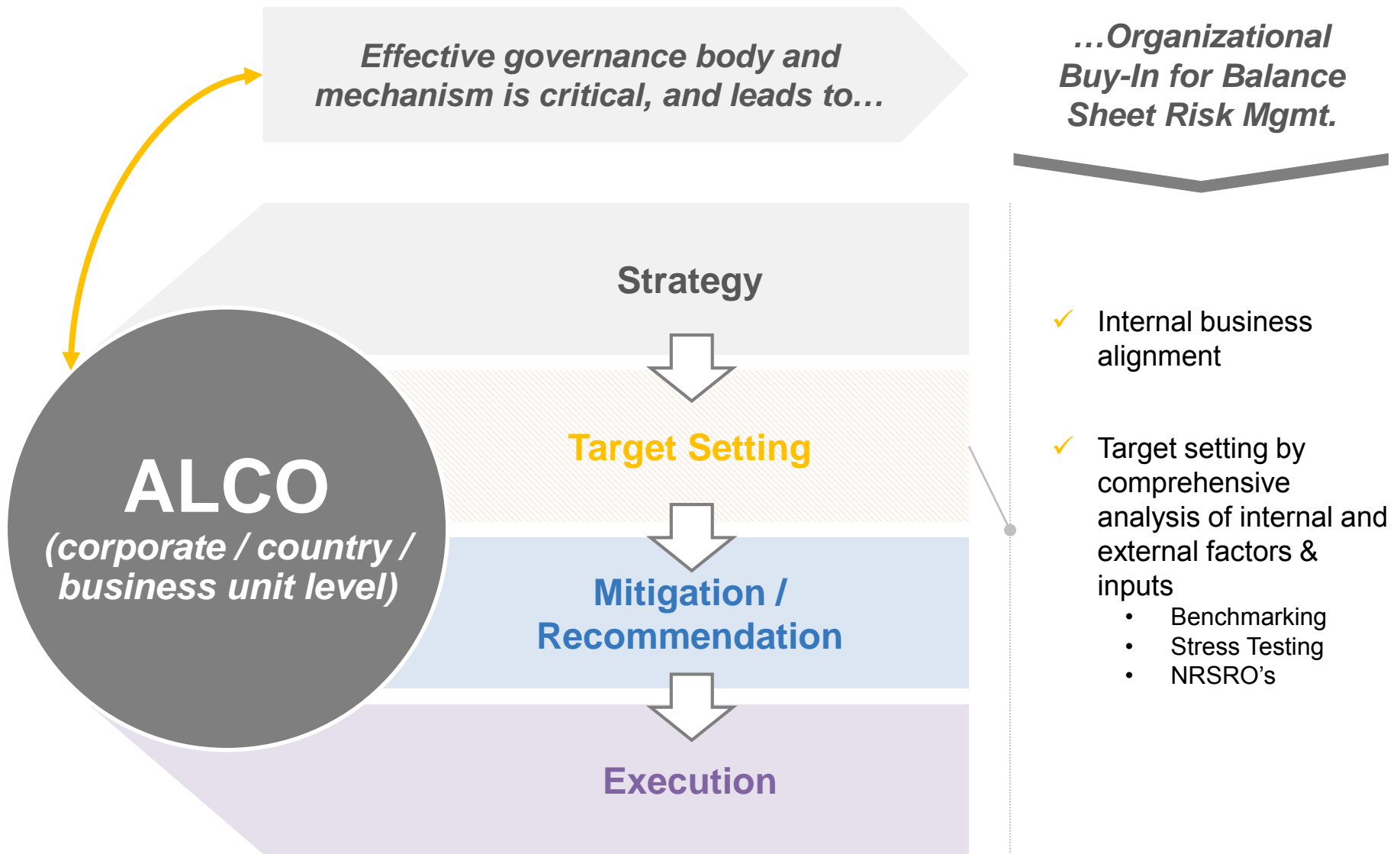
Risk Control Self Assessment (RCSA)

- Implemented operational risk governance testing and assessment platform with regular reporting to executive management

RCSA Areas	Overall Weight	Category	Sub-Weight	Individual	Manager	Leader
Process, Control and Mitigation		Policy / Standard/ SOP / Process Establishment				
		Adherence to existing Policy / SOP (including P-R-A-Z, segregation of duties)				
		Efficiencies of Processes and Controls (including approvals)				
		Operational Issues / Exceptions / Fraud Occurrence				
		Intra-coordination with Other Departments				
		<i>"Process, Control and Mitigation" Sub Score</i>		0.0	0.0	0.0
People		Key-man Risk Coverage				
		Staffing Level				
		<i>"People" Sub Score</i>		0.0	0.0	0.0
Infrastructure		Model Risk and Data Integrity Management				
		Automation and Digitalization (System/Tool)				
		<i>"Infrastructure" Sub Score</i>		0.0	0.0	0.0
New Initiative Introduction		Staff Readiness				
		System / Process Readiness				
		<i>"New Initiative Introduction" Sub Score</i>		0.0	0.0	0.0
Business Continuity		Business Continuity Plan				
	<i>Check</i>	<i>"Business Continuity" Sub Score</i>		0.0	0.0	0.0
Overall RCSA Score				0.0	0.0	0.0



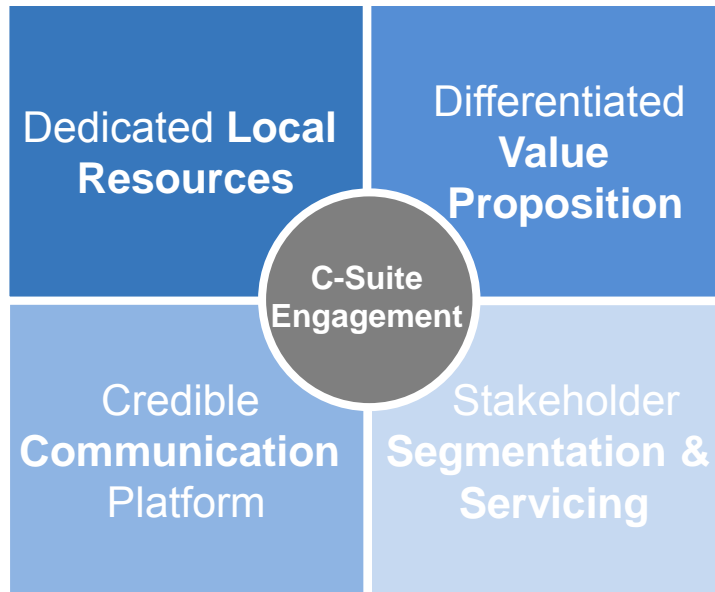
Integrating Governance & Target Setting



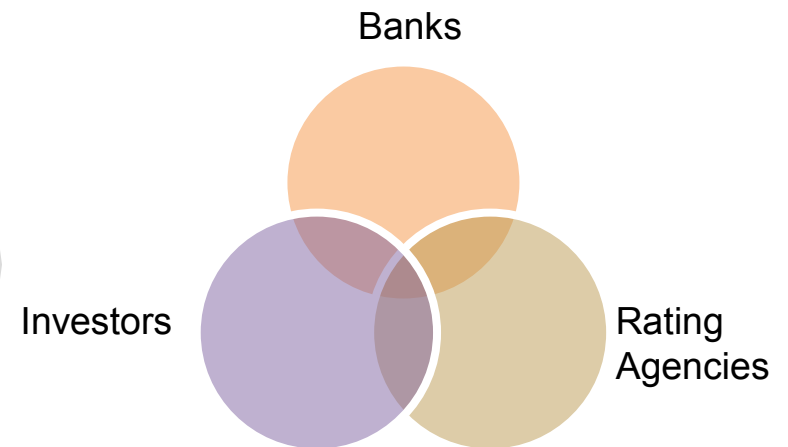
Strategic Stakeholder Management Framework Overview

- >80% of new vehicle sales are financed
- 85% of HCA's funding comes from external sources
- HCA's larger scale and more frequent funding required dedicated, systematic, and sophisticated stakeholder management platform

Stakeholder Management Platform



External Capital Providers & Influencers



Strategic Stakeholder Management Framework: Investors

Focused and Targeted Approach

Six specific selection criteria:

1. Minimal platform participation
2. Investor skipping recent trades
3. Underrepresented given size
4. Significant time since last meeting
5. Anchor orders
6. RAD Framework status*

Translate targets into new or recurring investors

investor interactions

Communication Life-Cycle



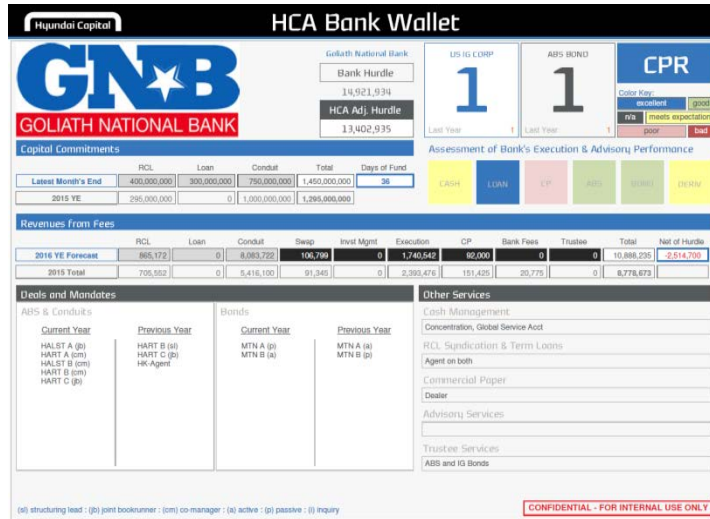
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Strategic Stakeholder Management Framework: Banks

Enhanced Analytics to Better Measure Banks

Full Lifecycle Relationship Management Platform

Comprehensive Bank Wallet Management



- In-depth one-on-ones: ~100 bank meetings annually



- Global Hyundai Perspective: Unique Bankers Conference with participation from >20 banks from Asia, Europe, and U.S. in 2014



Rigorous Counterparty Exposure Monitoring

Counter Party	IDC	DRSK	TEXAS RATIO	LOAN RISK AS % OF TIER I CAP	LEVERAGE RATIO	CAP TO RWA	MKT TO MODEL CDS RATIO	BASEL TEST	Composite Score
Bank A	200	IG6	d	1	2.1	1.6	1.30	PASS	a
Bank B	150	IG8	c	0	(1.6)	1.2	1.00	PASS	b
Bank C	375	IG9	z	(6)	(1.8)	5.3	0.80	PASS	c
Bank D	N/A	IG10	x	(8)	(2.0)	0.5	1.70	PASS	d
Bank E	210	IG7	a	2	3.5	2.6	0.95	PASS	e
Bank F	N/A	HY1	f	2	(1.6)	3.4	1.15	PASS	f
Bank G	150	IG8	g	4	0.0	2.2	1.25	PASS	g
Bank H	285	IG5	r	0	1.8	1.8	1.00	PASS	h
Bank I	N/A	IG7	t	5	1.0	5.6	0.80	PASS	i
Bank J	225	IG10	w	6	(1.4)	1.8	1.75	FAIL	j
Bank K	230	IG10	q	6	(1.0)	2.9	1.55	PASS	k
Bank L	165	IG5	y	1	4.0	2.3	1.00	PASS	l
Bank M	N/A	HY1	u	(11)	(1.0)	3.2	1.25	PASS	m
Bank N	195	IG10	k	10	(1.0)	3.8	2.00	PASS	n
Bank O	310	IG5	j	2	0.5	4.1	1.10	PASS	o
Bank P	320	IG4	h	4	4.5	2.6	1.10	PASS	p
Bank Q	305	IG4	v	0	3.6	3.5	0.90	PASS	q
Bank R	200	IG10	n/a	10	1.0	1.8	0.70	PASS	r

Healthy	> 165	> IG8	< 50	> 0	+	+	> 1.00	PASS
Acceptable	> 125	IG8	< 100	0	+	+	> 0.75	PASS
Dangerous	> 75	IG9	< 150	> -10	0	0	> 0.50	FAIL
Unacceptable	< 75	< IG9	> 150	< -10	-	-	< 0.50	FAIL

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Measurable Success Significantly Impacts the Bottom Line

Historical Scorecard



Transactions
(‘93-‘14)

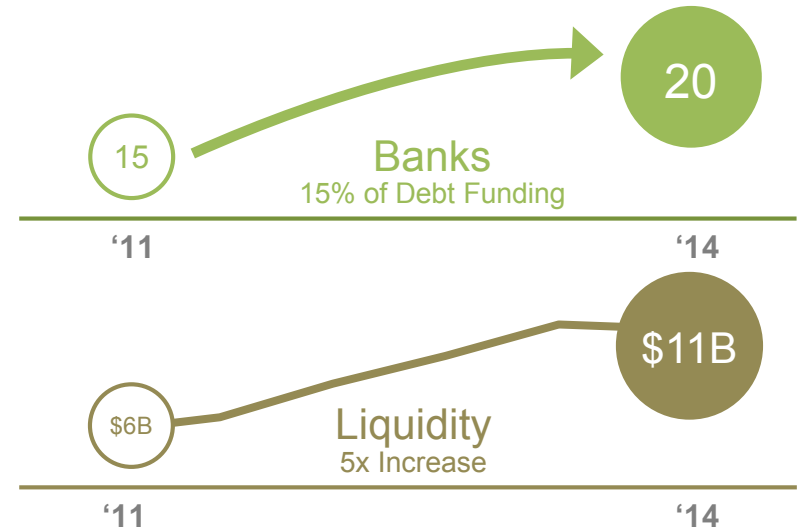
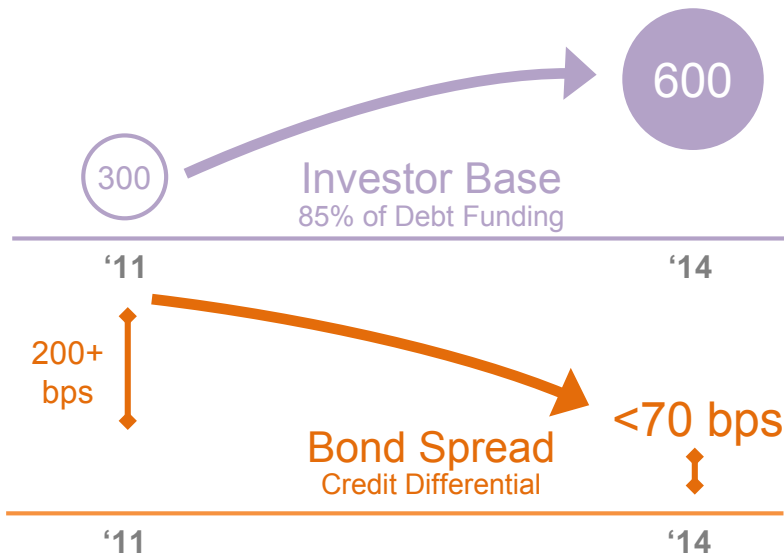
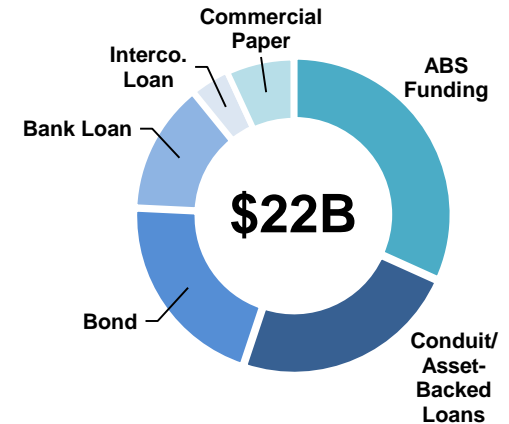


Issued in
capital markets
(‘93-‘14)

Principal Mandates

- Finance annual debt maturity and growth
- Maintain adequate liquidity to sustain business growth
- Obtain the lowest sustainable borrowing costs
- Manage funding platform guided by safety and soundness

Broad Success



Thank You





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Question time

Hyundai Capital

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Eric Senay
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Next webinar...

Wednesday 21st April with Hindustan Unilever Limited
Fast moving treasury