



**Santander Consumer USA Holdings Inc.**

**Company Update Call**

**August 28, 2017**

## CORPORATE PARTICIPANTS

**Evan Black**, *Vice President, Investor Relations*

**Scott Powell**, *President and Chief Executive Officer*

**Ismail “Izzy” Dawood**, *Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Chris Donat**, *Sandler O’Neill*

**David Eads**, *UBS*

**Steven Kwok**, *KBW*

**Betsy Graseck**, *Morgan Stanley*

**Kevin Barker**, *Piper Jaffray*

**Rick Shane**, *JPMorgan*

**John Rowan**, *Janney Montgomery Scott LLC*

**John Hecht**, *Jefferies*

**Moshe Orenbuch**, *Credit Suisse*

**Michael Tarkan**, *Compass Point*

## PRESENTATION

### Operator:

Good morning and welcome to today’s Santander Consumer USA Holdings Conference Call. At this time, all parties have been placed into a listen-only mode. Following today’s prepared remarks, the floor will be opened for your questions. Please dial star, one to enter the Q&A queue.

It is now my pleasure to introduce your host Evan Black, Vice President of Investor Relations. Evan, the floor is yours.

### Evan Black:

Thank you. Good morning everyone and thanks everyone for joining on such short notice. On the call today we have Scott Powell, CEO of Santander Holdings USA and newly appointed Chief Executive

Officer of Santander Consumer, as well as Izzy Dawood, Chief Financial Officer of Santander Consumer. We'll begin with opening remarks and then open up the call for any questions you guys might have.

Before we begin, as you are aware, certain statements made today could be considered forward-looking statements. For further information please refer to our previous Safe Harbor statements and Risk Factors language in our most recent SEC filings.

As you saw on this morning's release, the SC Board of Directors has named Scott Powell as SC's new Chief Executive Officer. Scott was appointed CEO of Santander Holdings USA, of which SC is a majority owned subsidiary, in March of 2015. Scott has served on SC's Board of Directors since September 2016. He brings extensive auto finance and risk management experience from more than three decades in retail banking, risk management and consumer and auto lending. As SHUSA's CEO Scott has led significant changes across Santander's U.S. business, including improving the financial performance of Santander Bank, having SHUSA's capital plan approved after passing the Federal Reserve capital stress test this year, and leading the work that resulted in the termination of SHUSA's 2014 written agreement with the Federal Reserve.

Prior to joining Santander, Scott held a variety of senior roles at JPMorgan Chase & Co., including Head of Banking and Consumer Lending Operations, CEO of Consumer Banking and Retail Investments, Head of Retail Lending, Head of Chase Auto Finance and Chief Risk Officer - Consumer. He also spent 14 years at Citigroup and its predecessors in a variety of senior risk management roles.

Now I'll turn the call over to Scott.

**Scott Powell:**

Great. Thanks, Evan. Good morning everybody. Thanks for joining the call. Just before I get started on the topic of the day, I would like to say our thoughts are with our employees, our friends and the people in Houston and other areas that are affected by the hurricane. Santander is going to be making a donation and matching employee donations for Hurricane Relief, and we're also put in place our normal customer programs to make sure we're helping our customers in those storm affected areas.

First, I'd like to thank Jason Kulas for his contributions to Santander Consumer. Jason has been with the Company for over 10 years; he spent the last two as the CEO of the Company. I've really enjoyed working with Jason. I know a number of you have gotten to know Jason pretty well over the years, and I think we all have a lot of respect for Jason and we wish him well in his future endeavors.

I'm very excited to lead Santander Consumer. It's a business I am very familiar with, and as Evan was ticking off there, it aligns very nicely with some of the jobs I've done in the past. I've gotten old enough now where I've been in the business for more than 30 years in lending and banking jobs, mostly in the consumer space, including deep risk management experience, and I started my career really in non-prime, so that aligns nicely too. Then there was a few years where I ran Chase Auto Finance.

The other thing is I worked very closely with this Management team in Dallas over the last couple of years that I've been with Santander. I know the team well. I've been part of the process that put together the strategy for the Company and the key initiatives that we're working on, so we're very comfortable with the strategy that we have for Santander Consumer. This is all about continuing our evolution, moving forward with that strategy, and it's a strategy that the team here has really been working on along with the team in Boston over the last few years. So, the focus has really been around bringing stronger risk management to bear, building out our consumer practices and compliance, and building a real customer focused culture.

I guess I would say more broadly, across Santander US, the last couple of years we've made a lot of progress across a broad range of regulatory issues, many that you know about, including very excited that we passed the recent stress test, and then very excited last week when the Fed terminated the 2014 written agreement. Both of those things are a reflection of our progress across a broad range of regulatory issues. We still have more work to do. We have good plans to address those issues across the U.S. businesses and here in Dallas, so we're very excited about that. Evan mentioned too we've also made good progress over the last couple of over the last couple of years improving the performance of Santander Bank, so very excited about that.

I'm confident as I join Santander Consumer that we'll be able to continue to deliver and evolve; deliver for our shareholders, our customers and our employees, and especially with Chrysler. Chrysler is a critical part of our business. They're our most important partner and we look forward to building on that relationship and delivering value for them.

The other thing I would say is Santander Consumer has been a strong performer in the market and delivered through the last credit cycle for our shareholders, and my expectation is that we'll continue to do that. Even with all the stuff going on in the auto finance market today, we see lots of opportunities to continue to grow our business and build what we have in place.

With that, maybe I'll stop there and we can go to Q&A.

**Operator:**

Thank you. We will now open the call for questions. If you would like to ask a question, please signal by pressing star, one on your telephone keypad. If you are using a speaker phone, please make your mute function is turned off to allow your signal to reach our equipment. Please limit yourself to one question only. Again, press star, one. We'll pause for just a moment to allow everyone an opportunity to signal.

We'll take our first question from Chris Donat with Sandler O'Neill.

**Scott Powell:**

Hey, Chris.

**Chris Donat:**

Hey. How much of your time prior to today's announcement has been spent on Santander Consumer issues? You commented that it had been a fair amount and your Board experience and stuff like that. Then do you expect that to change much going forward? Public company CEO experience, as I understand it, can be somewhat time absorbing.

**Scott Powell:**

It's a good question and a lot of people have been asking that question. It's a little hard to put an exact percentage on it. I can just tell you that Santander Consumer is the biggest, most important part of Santander US, so in my role as the SHUSA CEO I've spent a lot of time with the team. I was frequently here; I would say kind of every other month, so I know the team well.

The other thing I would tell you is we've built a good team here in Dallas. We built a really good team in Boston, so compared to where we were two years ago, we're in a much better place with respect to the management teams we have in Boston and here.

I will be spending more time than I did in the past here in Dallas, and you're right, there will be definitely more pulls on my time in this role. So, yes, I'll be increasing the time but it's a little hard to say how much, Chris.

**Chris Donat:**

Okay. I guess thinking of the follow-up, is there a non-compete agreement as part of Jason's severance or anything that you can comment on there? Separation.

**Scott Powell:**

No, I don't think I can comment on that just yet, but it will be public.

**Ismail "Izzy" Dawood:**

Chris, it's Izzy. That will be public as required by the disclosure requirements, so.

**Chris Donat:**

Okay. I'll stay tuned.

**Scott Powell:**

Thanks.

**Operator:**

Our next question comes from David Eads with UBS.

**David Eads:**

Hey, good morning. Maybe if you just touch on if there's anything—it sounds like you're kind of keeping the strategy in place, so is there anything you would be looking to kind of shift in more of a direction, more towards Chrysler? More towards flow agreements with Santander Bank, or in the (inaudible) sub-prime—anything we should be expecting as kind of a strategic shift?

**Scott Powell:**

No, David. There are no strategic shifts planned. The one you threw out as an example is one where we are—I'm not sure I'd call this a shift but we are looking for ways to continue to support the Chrysler relationship we have. Getting the flow agreements started with the Group this year is a great example of that. The Bank, Santander Bank supports the Chrysler relationship through floor planning. So there are conversations around how we can bring more to bear there to support the Chrysler relationship, but there's nothing immediate that will shift the strategy there.

**David Eads:**

All right, thanks.

**Operator:**

Our next question comes from Steven Kwok with KBW.

**Steven Kwok:**

Hi. Thanks for taking my questions. Congrats on (inaudible). Just around if you can give just an update around the Holding Company, your role there. I see there's a little bit of conflicting within the press release and the 8-K. Could you talk about your roles at the Holding Company, and also any progress around the other two written agreements that are outstanding.

**Scott Powell:**

Yes, okay. I'll try, Steven. Thank you for the congratulations, by the way. I'm not sure what conflicts you're referring to.

**Steven Kwok:**

I guess around—in the press release it said that you're remain as the (inaudible) Group President and the CEO, but in the 8-K that seems like that's only going to be for the interim. Just wanted some clarification there.

**Scott Powell:**

Yes. The confusion might be around the Bank, SB&A. I was the CEO of the Bank as well as the CEO of the Holding Company. I gave up the CEO of the Bank title as part of this process, so I am still the Holding Company CEO and the Head of Santander in the United States as well as the CEO of Santander Consumer.

**Steven Kwok:**

Got it. Then just around the written agreements?

**Scott Powell:**

Yes. We continue to make progress on those things. They are very important. The two open written agreements we have with the Federal Reserve are the comprehensive 2015 written agreement, and then the recent one around compliance practices in the Holding Company and Santander Consumer. Those are—we put a lot of time and effort into those things. We've built out very good plans with respect to what we need to accomplish, and the teams are very focused on executing those things. We view those agreements just like passing CCAR and getting the 2014 written agreement closed out. Those are important steps on our journey to address all the open regulatory issues that we have across Santander in the United States.

**Steven Kwok:**

Great. Thanks for taking my questions.

**Scott Powell:**

You bet.

**Operator:**

We'll take our next question from Betsy Graseck with Morgan Stanley.

**Betsy Graseck:**

Hi, good morning.

**Scott Powell:**

Good morning.

**Betsy Graseck:**

Scott, the question I have is relative to what you're hoping to accomplish at Santander Consumer USA beyond what has been accomplished already. Is it a matter of adding incremental priorities? You said the priorities were still the same but as you think forward over the next three to five years, anything in particular you'd want to layer on? Also, if you could talk about what the single biggest priority is for you to accomplish over the next 12 months.

**Scott Powell:**

Thanks, Betsy. Good questions. I think the initiatives that we have laid on here at Santander Consumer are really I guess on two tracks is the way I would describe it. One is building out those things that we mentioned around building a consumer focused culture, building out our compliance capabilities, building out our consumer practices. Building out that and executing on that really well to satisfy ourselves that we are doing the right thing, and then satisfying our regulators. That's kind of one track of work that is well underway and has been underway for a couple of years.

The other track is what I'd describe as a business track. We think we have great opportunity to deliver more value for our shareholders in this business. I mean we have fantastic capabilities in non-prime risk management, essentially. We think—and with a partner like Chrysler, we think we've got great opportunities to grow the Company and deliver value for the shareholders, and so as I look out over the next three to five years, that's where our focus is going to be. We've laid out a good roadmap for that and so we're going to stick to that roadmap. I'm sure there'll be changes to it, as there always are over time. That's the long-term vision.

For the next 12 months, I think it's an interesting time in the market, right? Used car prices are coming down. New car sales are coming down. We've got to make sure we've got ourselves positioned in the market so our profitability reflects those changes and that's what we're trying to do. I think that's our biggest 'to do' for the next 12 months.

**Betsy Graseck:**

Over the past several years, Santander Consumer USA has become more and more aligned and integrated with Santander Holdings USA. You aligned bank compliance and controls, now you're the CEO of both institutions. Could you just give us a sense of how that's helping you from a regulatory and a business standpoint as well as the obvious question which is should Santander Consumer USA, should we expect that over time it will be absorbed into Santander Holdings USA?

**Scott Powell:**

Good question. You're right, there have been a variety of things that we have been aligning across the U.S., not just between Boston and Dallas but across the U.S. You're right. Aligning accounting practices, aligning compliance, aligning a whole number of things is important from a regulatory perspective. It also allows us to operate as more as one Santander in the U.S. Because remember, until we had the intermediate Holding Company come in, all these companies in the U.S were really operating almost as separate companies. So, a lot of what we're doing across the U.S. is bringing these companies together, operating at the same standards so we can find ways to operate more effectively across Santander US.

I don't know about the absorbing it into SHUSA. It is all part of Santander in the U.S., though.

**Betsy Graseck:**

Got it. Thanks.

**Operator:**

We'll take our next question from Kevin Barker with Piper Jaffray.

**Kevin Barker:**

Good morning.

**Scott Powell:**

(Inaudible).

**Kevin Barker:**

You mentioned in your press release the importance of the Chrysler relationship and you reiterated that earlier. Could you talk about what you're doing in order to strengthening that relationship from where it was when it was originally agreed upon almost five years ago and what that's going to look like over the next five years?

**Scott Powell:**

Yes, I'm not sure I've got all the history, Kevin. I can talk a little bit about what we're focused on right now, which is improving our penetration levels with Chrysler is very important. You know, we're making progress in our floor plan business for Chrysler dealers, which is good, but we're working on improving our overall performance on the loan and lease side. Really, we just launched a VIP program for dealers where we've got it fully implemented for Chrysler. We've launched the Group flow agreement which really helps on the prime side, prime and near-prime side because of the difference in funding costs there. We're going to look for other ways to improve how we deliver for Chrysler. The great thing is we have the whole of Santander to use to do that; from Dallas to Boston to Spain to try to figure out how to do that.

Again, we're fully committed to the relationship, increasing the penetration there. They're actually in Dallas today to continue those discussions.

**Kevin Barker:**

Okay. Thank you very much.

**Scott Powell:**

Thanks.

**Operator:**

Our next question comes from Rick Shane with JPMorgan.

**Rick Shane:**

Hey guys, thanks for taking my questions and congratulations on the new role. Just like to think a little bit about alignment of interests now between minority shareholders and the Bank, and how you balance that and what you think the—where the alignments are and where you think the conflicts could be.

**Scott Powell:**



It's a good question, and thanks for the congratulations. It's a very good question. I mean I—the interest between the majority shareholders and the minority shareholders are very much aligned. I guess as a representative of the majority shareholders in some ways, you know—I, as the CEO of Santander Consumer, are committed to delivering value for all our shareholders, but I don't see a lot of conflicts on the horizon. Our interests are fully aligned.

**Rick Shane:**

What about in terms of capital returns? Again, I realize that there is an exogenous factor that can influence that, but is there any potential conflict between SCUSA and SHUSA there?

**Scott Powell:**

I don't think so but why don't you ...

**Ismail "Izzy" Dawood:**

Rick, it's Izzy. Nothing's really changed from that perspective in terms of approach to strategy. We started off small, as we had indicated, and we're going to try and do what's best for all shareholders based on the amount of capital that we need to keep for regulatory purposes and making sure the excess capital gets distributed accordingly.

**Rick Shane:**

Thank you, guys.

**Scott Powell:**

Yes.

**Operator:**

Our next question comes from the line of John Rowan with Janney.

**John Rowan:**

Good morning.

**Scott Powell:**

Good morning.

**John Rowan:**

Just kind of a 10,000 foot question. I mean obviously there's a lot of chatter in the news and the media about where we stand in the auto cycle. I just want to make sure I kind of understand; your baseline position is to—where is the industry going and maybe if you could opine a little bit as to whether or not there's any differences between your opinion and how Jason used to view the market. Thank you.

**Scott Powell:**

Thanks. I know we have a lot of experts on the call so I sort of feel like you have me outgunned on this one. I don't think there's any difference between my view and Jason's view. The teams talk a lot about this. Certainly, coming off record car sales is something we're aware of and focused on. Softening in used car prices is, you know—and then the pressure on non-prime customers. I know Jason has talked a

lot about specific pressures on non-prime customers. The whole company view is non-prime customers live under pressure all the time, and so it's an interesting discussion because we're making sure we incorporate expectations around softening in used car prices and in declining new car prices, but we're adjusting for that. You look at the strength of the U.S. economy right now, it's pretty robust. Unemployment is at all-time lows. The future looks good.

I think in general the Company view is we feel really good about how we're positioned. We think we've got great opportunities ahead of us. We've got lots of opportunities in the space we operate in, and then also supporting Chrysler. So, yes, that's like right front and center for what we do every day.

**John Rowan:**

Okay. Thank you very much.

**Scott Powell:**

Yes.

**Operator:**

Our next question comes from John Hecht with Jefferies.

**John Hecht:**

Good morning guys. Actually, my questions have all been asked. Congratulations and thanks very much. Bye.

**Scott Powell:**

Thanks.

**Ismail "Izzy" Dawood:**

Thanks, John.

**Operator:**

We'll take our next question from James Ulan with Credit Suisse.

**Moshe Orenbuch:**

Good morning. It's actually Moshe Orenbuch. Scott, I'm just wondering is there a plan that you could share with us as to whether you're going to add to the people from the industry? I mean is your position kind of expected to be permanent and are you going to be around (inaudible)?

**Scott Powell:**

Moshe, it's nice to meet you. I don't have any immediate plans to do that. I hadn't—why do you ask?

**Moshe Orenbuch:**

I guess I was struck by the fact it seems like a very, I guess, quick appointment, given that normally people would—there would be a discussion of the compensation structure and the like and that isn't in there so it just felt like it was something that happened in a relatively short period of time as opposed to something that was considered for a longer period of time.

**Scott Powell:**

Yes. There's no change in what we're doing. I feel good about the management team we have here, so there's nothing—there's no plan for that. It's not part of the thinking right now.

**Moshe Orenbuch:**

Okay. Maybe just to kind of—I know the question has been asked a couple of times in different ways about the ways to work better with Chrysler, but it seems like the major issue really was supporting the—the Parent does support the lease program in addition to floor plan is the real issue, is kind of the large bank is kind banking on the prime loans, and perhaps the amount of flow funding not being as large as would otherwise be. I mean I guess what else do you need to get those market shares up to where the contract says they were supposed to be?

**Scott Powell:**

I think you've got it. I think. The challenge we have is the fact that Santander Consumer is wholesale funded and it's hard to compete with other lenders in the prime and near-prime space that are funded by deposits. So, you know, getting the group flow agreement in place is a recognition of that. We'd love to have more bank partners in the program as well. But yes, you've got it; we've got to figure that out and figure out how to deliver across the spectrum for Chrysler and we're working on that.

**Moshe Orenbuch:**

Okay. Thanks very much.

**Scott Powell:**

Yes, thanks.

**Operator:**

Our next question comes from Michael Tarkan with Compass Point.

**Michael Tarkan:**

Thanks for taking my questions. Just a couple of quick follow-ups. Are you guys still committed to selling the Bluestem portfolio? Second question is now that we're I guess two months into the quarter, I guess do you have an update as to how things are trending from a credit perspective? Thanks.

**Ismail "Izzy" Dawood:**

Hey Michael, it's Izzy. Again, thanks for your support recently on our stock. Bluestem, nothing has really changed from our prior comments. We remain in dialogue. We are cautiously optimistic on the sale, but as you know it's a challenging transaction given there's a back book (inaudible) forward flow agreement, and we'll update you guys when anything develops materially on that point.

**Michael Tarkan:**

So, no change in the outlook.

**Ismail "Izzy" Dawood:**

No real change in the outlook and like I said, if there's a meaningful change or anything that's relevant, we'll inform you guys but our comments from the last quarter still stand.

**Michael Tarkan:**

Thank you.

**Ismail "Izzy" Dawood:**

Thank you.

**Operator:**

There are no further questions at this time. I would now turn the call over to Scott Powell for final comments.

**Scott Powell:**

Great. Thank you and thanks everyone for joining the call at the last minute. I'll look forward to getting to know you all better as time goes by. If you have any follow-up questions, I think you know the usual IR contact people are available for those follow-up questions. Thank you very much.

**Operator:**

This does conclude today's conference. We thank you for your participation.