

2016 Market & Liquidity RAS Proposal

ACL Methodology & Limit Changes, NII Challenge and MVE Limit Change

May 6, 2016

Liquidity / Funding Risk – Available Committed Liquidity-Change in calculation & limits

Metric Definition

Committed liquidity available to SC against projected net originations. For conservatism the metric assumes no access to the securitization market (unless a new issuance has already been priced at the time of metric calculation) but it does incorporate flow (warehouse) agreements. It ensures that SC has sufficient liquidity to cover future forecast funding needs – calculated monthly.

Metric Calculation

Current Capacity Available for Warehouse Loans + BSNY Line¹
Average (Historical Monthly Originations over 6 Months – Paydowns – Subvention/Discounts – Flow Agreements + Monthly Cash Flows)

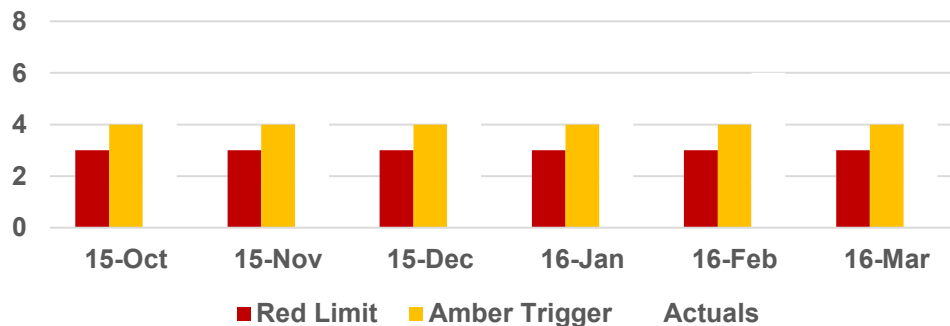
¹No available balance under the backup intra-group line will be included in the ACL metric from Sep-16 onwards. At end of each year, 1.5B BSNY line will become liquidity back-up line which is only used as a discretionary funding source.

Limit Calibration

The amber trigger and red limit were established by evaluating the changes to the level of the metric given several scenarios and historical information that change both (i) monthly funding needs and (ii) available liquidity decreases

	Mar-16	Amber Trigger	Red Limit
Available Committed Capacity	4.7 Months	<4 Months	<3 Months

Available Committed Liquidity / Average Historical Cash Needs (in Months)



Available Committed Liquidity RAS Limit Proposal

SC is proposing the following Calculation and Limit Structure for RAS ACL Metric:

- ▶ RAS Metric Proposal:: Current WH Capacity / 6 Month Historical Average Cash Needs
 - ▶ More Timely Reporting and Remediation
 - ▶ Less subjective
 - ▶ Forecasted ACL will continued to be monitored and reported
- ▶ Proposed Amber Limit: 4.0
- ▶ Proposed Red Limit: 3.0
 - ▶ Aligns to EPS LST requirements

SC has enhanced the ACL cash flow components to better align to marginal cash flow needs

- ▶ Removal of Paydowns associated with Term Financing (Securitizations + SCARFs)
- ▶ Inclusion of Other Sources of Cash Flows
 - ▶ Net Interest Income
 - ▶ Operating Expenses
 - ▶ Servicing Revenue/Fees
 - ▶ Income Taxes

ACL Calculation and Limit Proposal

	2015												2016		
	Actuals														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Projected Originations															
Core Non-Prime	\$653	\$936	\$1,476	\$1,060	\$914	\$1,017	\$1,018	\$908	\$863	\$678	\$588	\$715	\$665	\$883	\$1,049
Chrysler (Prime and Non)	\$749	\$784	\$997	\$972	\$801	\$930	\$1,098	\$989	\$1,019	\$840	\$898	\$1,210	\$935	\$765	\$864
Prime Lease	\$484	\$472	\$636	\$615	\$462	\$586	\$583	\$548	\$439	\$354	\$279	\$379	\$474	\$530	\$622
Unsecured	\$74	\$45	\$48	\$80	\$82	\$99	\$100	\$44	\$19	\$42	\$72	\$200	\$0	\$0	\$0
Monthly Projected Originations	\$1,960	\$2,237	\$3,158	\$2,727	\$2,259	\$2,633	\$2,799	\$2,488	\$2,340	\$1,914	\$1,837	\$2,504	\$2,074	\$2,179	\$2,535
Other Sources of Cash															
Subvention/Discounts/Participation	\$113	\$148	\$198	\$160	\$117	\$141	\$160	\$148	\$128	\$100	\$93	\$125	\$101	\$161	\$158
Flow Agreement Commitments	\$296	\$295	\$325	\$323	\$336	\$336	\$379	\$506	\$464	\$316	\$421	\$344	\$309	\$271	\$274
Paydowns	\$916	\$940	\$1,063	\$1,055	\$996	\$1,059	\$1,054	\$1,017	\$990	\$1,002	\$946	\$1,022	\$1,072	\$1,088	\$1,253
Remove Term Financing Paydowns*	(\$463)	(\$488)	(\$596)	(\$575)	(\$559)	(\$583)	(\$598)	(\$558)	(\$559)	(\$577)	(\$509)	(\$558)	(\$535)	(\$607)	(\$647)
Net Interest Income	\$367	\$366	\$415	\$406	\$422	\$423	\$428	\$429	\$409	\$436	\$405	\$415	\$409	\$412	\$445
Operating Expenses	(\$77)	(\$88)	(\$81)	(\$90)	(\$77)	(\$87)	(\$102)	(\$93)	(\$93)	(\$80)	(\$78)	(\$82)	(\$96)	(\$95)	(\$114)
Servicing/Fees/Commissions	\$46	\$48	\$53	\$89	\$48	\$72	\$37	\$40	\$54	\$44	\$40	(\$180)	\$7	\$34	\$31
Income Taxes	(\$51)	(\$54)	(\$11)	(\$59)	(\$31)	(\$117)	(\$12)	(\$22)	(\$84)	(\$30)	(\$25)	\$14	(\$26)	(\$39)	(\$52)
Total Other Cash Flows	\$1,149	\$1,168	\$1,365	\$1,310	\$1,252	\$1,244	\$1,345	\$1,467	\$1,308	\$1,210	\$1,293	\$1,100	\$1,243	\$1,225	\$1,349
Total Cash Needs															
Total Cash Needs (Denominator)	\$811	\$1,069	\$1,792	\$1,417	\$1,007	\$1,389	\$1,454	\$1,021	\$1,031	\$704	\$544	\$1,404	\$832	\$953	\$1,186
Warehouse Capacity															
External Warehouse Capacity	\$4,508	\$4,642	\$4,477	\$4,564	\$4,806	\$6,163	\$6,199	\$4,702	\$4,023	\$3,897	\$3,829	\$3,323	\$3,466	\$3,289	\$2,333
BSNY Lines	\$825	\$700	\$425	\$650	\$965	\$540	\$1,225	\$960	\$1,275	\$1,365	\$2,050	\$2,200	\$1,825	\$2,150	\$525
Operating	\$5,333	\$5,342	\$4,902	\$5,214	\$5,771	\$6,703	\$7,424	\$5,662	\$5,298	\$5,262	\$5,879	\$5,523	\$5,291	\$5,439	\$2,858
SHUSA Backup	(\$0)	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total WH Capacity (Numerator)	\$5,333	\$5,342	\$4,902	\$5,214	\$5,771	\$6,703	\$7,424	\$5,662	\$5,298	\$5,262	\$5,879	\$5,523	\$5,291	\$5,439	\$4,358
Calculation															
6 Month Avg Historical Cash Needs	\$944	\$965	\$1,095	\$1,125	\$1,160	\$1,248	\$1,355	\$1,347	\$1,220	\$1,101	\$1,024	\$1,026	\$923	\$911	\$937
WH Capacity	\$5,333	\$5,342	\$4,902	\$5,214	\$5,771	\$6,703	\$7,424	\$5,662	\$5,298	\$5,262	\$5,879	\$5,523	\$5,291	\$5,439	\$4,358
6 Month Actual ACL	5.6	5.5	4.5	4.6	5.0	5.4	5.5	4.2	4.3	4.8	5.7	5.4	5.7	6.0	4.7

* Term Financing includes Securitizations + SCARFs

Available Committed Liquidity RAS Historical and Projected

SC is proposing the following Calculation and Limit Structure:

- ▶ RAS Metric Proposal:: Current WH Capacity / 6 Month Historical Average Cash Needs
 - ▶ More Timely Reporting and Remediation
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 - ▶ Forecasted ACL will continued to be monitored and reported
- ▶ Proposed Amber Limit: 4.0
- ▶ Proposed Red Limit: 3.0
 - ▶ Aligns to EPS LST requirements

ACL Historical and Forecast

	2015												2016											
	Actuals												Projection											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Projected Originations																								
Core Non-Prime	\$653	\$936	\$1,476	\$1,060	\$914	\$1,017	\$1,018	\$908	\$863	\$678	\$588	\$715	\$665	\$883	\$1,049	\$764	\$771	\$775	\$810	\$973	\$877	\$793	\$794	\$741
Chrysler (Prime and Non)	\$749	\$784	\$997	\$972	\$801	\$930	\$1,098	\$989	\$1,019	\$840	\$898	\$1,210	\$935	\$765	\$864	\$723	\$753	\$765	\$977	\$1,236	\$1,156	\$1,051	\$1,051	\$1,083
Prime Lease	\$484	\$472	\$636	\$615	\$462	\$586	\$583	\$548	\$439	\$354	\$279	\$379	\$474	\$530	\$622	\$513	\$520	\$483	\$486	\$557	\$498	\$448	\$414	\$432
Unsecured	\$74	\$45	\$48	\$80	\$82	\$99	\$100	\$44	\$19	\$42	\$72	\$200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Monthly Projected Originations	\$1,960	\$2,237	\$3,158	\$2,727	\$2,259	\$2,633	\$2,799	\$2,488	\$2,340	\$1,914	\$1,837	\$2,504	\$2,074	\$2,179	\$2,535	\$1,999	\$2,044	\$2,023	\$2,273	\$2,766	\$2,532	\$2,292	\$2,258	\$2,256
Other Sources of Cash																								
Subvention/Discounts/Participation	\$113	\$148	\$198	\$160	\$117	\$141	\$160	\$148	\$128	\$100	\$93	\$125	\$101	\$161	\$158	\$130	\$132	\$126	\$133	\$157	\$143	\$129	\$123	\$126
Flow Agreement Commitments	\$296	\$295	\$325	\$323	\$336	\$336	\$379	\$506	\$464	\$316	\$421	\$344	\$309	\$271	\$274	\$275	\$275	\$275	\$350	\$450	\$453	\$338	\$450	\$450
Paydowns	\$916	\$940	\$1,063	\$1,055	\$996	\$1,059	\$1,054	\$1,017	\$990	\$1,002	\$946	\$1,022	\$1,072	\$1,088	\$1,253	\$1,052	\$874	\$1,135	\$1,026	\$1,202	\$1,201	\$1,205	\$1,236	\$1,081
Remove Term Financing Paydowns*	(\$463)	(\$488)	(\$596)	(\$575)	(\$559)	(\$583)	(\$598)	(\$558)	(\$559)	(\$577)	(\$509)	(\$558)	(\$535)	(\$607)	(\$647)	(\$576)	(\$478)	(\$621)	(\$562)	(\$658)	(\$658)	(\$660)	(\$677)	(\$592)
Net Interest Income	\$367	\$366	\$415	\$406	\$422	\$423	\$428	\$429	\$409	\$436	\$405	\$415	\$409	\$412	\$445	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420	\$420
Operating Expenses	(\$77)	(\$88)	\$81	(\$90)	(\$77)	\$87	(\$102)	\$93	(\$93)	(\$80)	(\$78)	\$82	(\$96)	\$95	(\$114)	(\$90)	(\$90)	(\$90)	(\$90)	(\$90)	(\$90)	(\$90)	(\$90)	(\$90)
Servicing/Fees/Commissions	\$46	\$48	\$53	\$89	\$48	\$72	\$37	\$40	\$54	\$44	\$40	(\$180)	\$7	\$34	\$31	\$26	\$26	\$26	\$26	\$26	\$26	\$26	\$26	\$26
Income Taxes	(\$51)	(\$54)	(\$11)	(\$59)	(\$31)	(\$117)	(\$12)	(\$22)	(\$84)	(\$30)	(\$25)	\$14	(\$26)	(\$39)	(\$52)	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)	(\$40)
Total Other Cash Flows	\$1,149	\$1,168	\$1,365	\$1,310	\$1,252	\$1,244	\$1,345	\$1,467	\$1,308	\$1,210	\$1,293	\$1,100	\$1,243	\$1,225	\$1,349	\$1,196	\$1,118	\$1,230	\$1,263	\$1,467	\$1,455	\$1,328	\$1,448	\$1,381
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Warehouse Capacity																								
External Warehouse Capacity	\$4,508	\$4,642	\$4,477	\$4,564	\$4,806	\$6,163	\$6,199	\$4,702	\$4,023	\$3,897	\$3,829	\$3,323	\$3,466	\$3,289	\$2,333	\$2,600	\$3,927	\$4,066	\$4,126	\$3,869	\$3,496	\$4,113	\$3,869	\$2,983
BSNY Lines	\$825	\$700	\$425	\$650	\$965	\$540	\$1,225	\$960	\$1,275	\$1,365	\$2,050	\$2,200	\$1,825	\$2,150	\$525	\$550	\$600	\$436	\$969	\$771	\$1,192	\$1,135	\$1,651	\$1,541
Operating	\$5,333	\$5,342	\$4,902	\$5,214	\$5,771	\$6,703	\$7,424	\$5,662	\$5,298	\$5,262	\$5,879	\$5,523	\$5,291	\$5,439	\$4,358	\$3,150	\$4,527	\$4,502	\$5,095	\$4,639	\$4,689	\$5,248	\$5,520	\$4,525
SHUSA Backup	(\$0)	(\$0)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total WH Capacity	\$5,333	\$5,342	\$4,902	\$5,214	\$5,771	\$6,703	\$7,424	\$5,662	\$5,298	\$5,262	\$5,879	\$5,523	\$5,291	\$5,439	\$4,358	\$4,650	\$6,027	\$6,002	\$6,595	\$6,139	\$6,189	\$6,748	\$7,020	\$6,025
Other Financing																								
SHUSA LOAN	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$650	\$650	\$1,650	\$1,650
SC UNSECURED ISSUANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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Calculation																								
6 Month Avg Historical Cash Needs	\$944	\$965	\$1,095	\$1,125	\$1,160	\$1,248	\$1,355	\$1,347	\$1,220	\$1,101	\$1,024	\$1,026	\$923	\$911	\$937	\$954	\$1,017	\$916	\$945	\$1,003	\$985	\$1,011	\$992	\$1,006
WH Capacity	\$5,333	\$5,342	\$4,902	\$5,214	\$5,771	\$6,703	\$7,424	\$5,662	\$5,298	\$5,262	\$5,879	\$5,523	\$5,291	\$5,439	\$4,358	\$4,650	\$6,027	\$6,002	\$6,595	\$6,139	\$5,539	\$6,098	\$5,370	\$4,375
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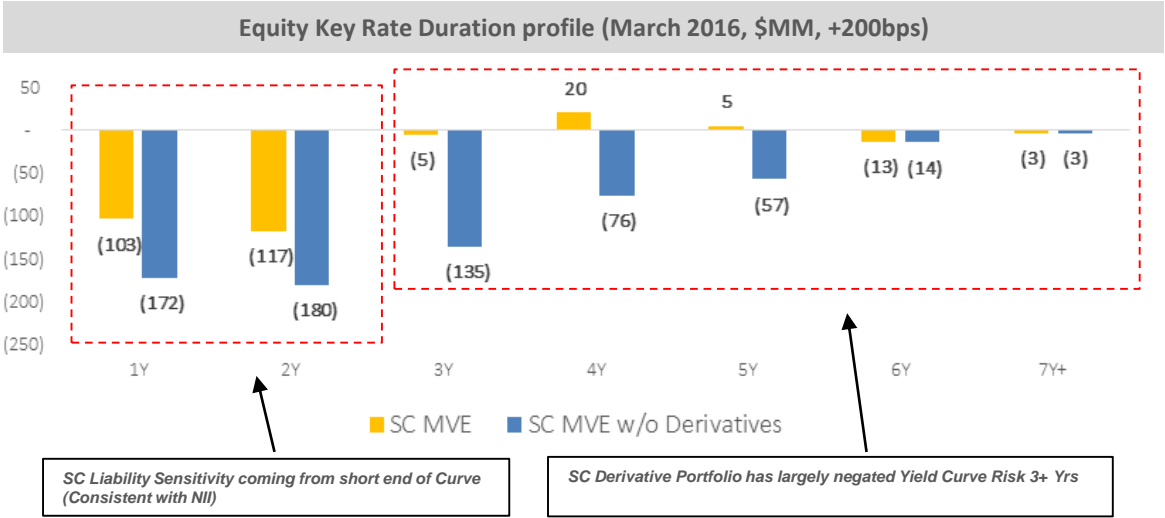
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Challenge from Market Risk on NII

SC' Derivatives portfolio largely negates 3+ Year Yield Curve Valuation (MVE) Exposure

- Larger volume notional required to hedge shorter duration against limited hedge accounting capacity
 - P&L Volatility (VaR) has declined from ~\$12MM to ~\$6MM as all hedges from April 2015 have received Cash Flow Hedge Accounting
- 12 Month NII has increased from (\$38MM) to (\$56MM) due to pressure of hedging longer term

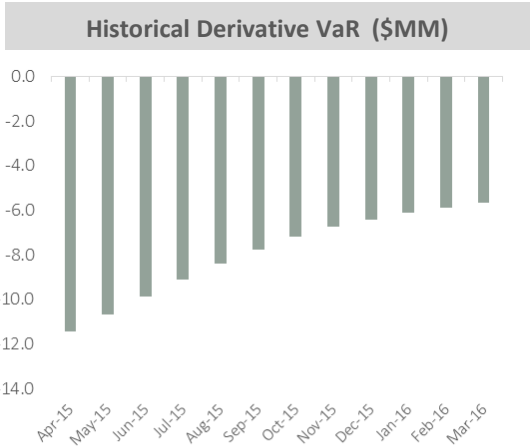
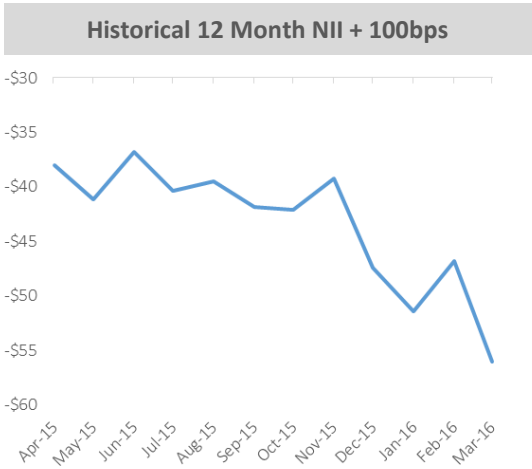


NII is a necessary complement to MVE

- NII forecasted 12 month earnings sensitivity to interest rates
- MVE is current portfolio total sensitivity to interest rates (does not tell you on timing of monetization into P&L)

NII analysis can be supplemented with sensitivity/scenario analysis

- Scenario: Non-parallel shocks
- Sensitivity: Impact of passing on only portion of rate increases to new vintages



MVE Limit Change - Interest Rate Risk +100bps Proposal

► MVE proposal to increase operating limit from (\$120MM) to (\$140MM) per 100bps shock

- Duration of equity board limit relatively unchanged at 2.8 unit operating limit and 3.5 unit board limit
 - Projection conservative by reducing equity for capital actions*
- If dollar MVE is not recalibrated for growth in equity, % equity duration limits will decrease

► No recommendation for changes to NII +100bps limits

- Operating limit of (\$75MM) reflects 5.9% of projected 2016 Income
- Board limit of (\$100MM) reflects 7.9% of projected 2016 income
- Dec 2015 Actual NII (\$48MM) reflects 3.8% reduction per +100bps very similar to competitor ALLY 3.9% per +100bps

Market Value of Equity Limit + Proposal (+100bps)

1 MVE December 2015

	Balance	Duration
GAAP Equity	\$5.27BM	-
Actual	(\$113MM)	2.5
2015 Actual Op Limit	(\$120MM)	2.7
2015 Actual Board Limit	(\$150MM)	3.4

2 MVE Limits w/ Year End 2016 Proj Equity

	Balance	Duration
GAAP Equity	\$5.27BM	-
2015 Actual Op Limit	(\$120MM)	2.3
2015 Actual Board Limit	(\$150MM)	2.8

Duration of Equity (%) would decrease if not recalibrated for reduction in retained earnings

3 MVE Limit Proposal w Year End 2016 Proj Equity w/Adjustment for 30% Payout Ratio












	Balance	Duration
GAAP Equity	\$5.02BM	-
2016 Proposed Op Limit	(\$140MM)	2.8
2016 Proposed Board Limit	(\$175MM)	3.5

MVE limit proposal recalibrates MVE dollar limit driven by equity growth (adjusted for 30% payout ratio for conservatism through dividends despite no capital actions planned in 2016)

* SC does not have any capital actions planned in 2016

MVE Limit Change-Industry Peer Benchmarking – 100bps MVE Limit

- ▶ Peer benchmark analysis suggests modest increase in MVE proposed is conservative against industry
 - ▶ Proposed duration of equity limit₁ of 3.5 equity vs peer average of 6.6
 - ▶ If SC utilized 6.6 duration of equity would calibrate to \$294MM limit vs proposed \$140MM
- ▶ Peer analysis suggests SC conservative with lowest MVE limit
 - ▶ SC 3.5% limit lower than 4.0%-10% limit range of peers
- ▶ Note: Limits do not inform on where company currently operates

Industry Peer Benchmarking MVE +100bps			
	MVE LIMIT % EQUITY	LIMIT % *SCUSA EQUITY ¹	Lending Operations
	6.0%	267	Student Loans, Personal Loans, Credit Cards, Home Equity
	5.0%	223	Residential Mortgages, Business Banking
	7.5%	334	Home Equity, Mortgages
	7.0%	312	Commercial Loans, Residential Mortgages, Home Equity, Credit Card, Student Loan, Installment Loan, Auto Finance, Personal Loan
	10.0%	446	Investment Management, Research, Advisory Services
	7.5%	334	Residential Mortgages, Home Equity, Credit Cards, Marine Loans
	4.0%	178	Home Equity, Residential Mortgages, Credit Cards
	5.0%	223	Commercial Loans, Commercial Mortgage, and Real Estate Construction Loans
	5.5%	245	Commercial Real Estate, Home Equity
	5.0%	223	Full Service Commercial, Small Business, consumer banking services, mortgage banking, equipment leasing
	10.0%	446	Commercial Banking, Personal Banking, Mortgages
AVERAGE PEER	6.6%	294	
SANTANDER CONSUMER USA	3.5%	140	
VARIANCE	-3.1%	-154	

¹ SCUSA GAAP Equity \$4.46BN as of Jan 2016

Note: Sources used are most recent 10K published (ex Discover)

Note 2: Most measured institutions measure MVE limit of +200bps shock (divided by 2)

MVE Limit Change-2016 RAS Limit Change Proposal

- ▶ RAS MVE + 200bps proposed increase Op Limit from (\$240MM) to (\$280MM)
- ▶ No proposal in change to RAS NII Limit

Current Interest Rate Risk Limits (\$MM)

Metric	Limit			
MVE +/- 200bps	(\$300)	>=(\$280)	(\$280-\$240)	<(\$240)
NII +/- 100bps	(\$100)	>=(\$95)	(\$95-\$75)	<(\$75)

Proposed Interest Rate Risk Limits (\$MM)

Metric	Limit			
MVE + 200bps	(\$350)	>=(\$340)	(\$340-\$280)	<(\$280)
NII +/- 100bps	(\$100)	>=(\$95)	(\$95-\$75)	<(\$75)