
Santander Bank, N.A.

P19 Update

September 20, 2016

Presenter: Duke Dayal (CFO)

Agenda

Executive Summary

Non-Strategic Assets

P19 Key Highlights

- **Consistent with Strategic Plan approved in April – timing of initiatives revised**
 - Exit of non-strategic businesses at SBNA not included in P19
 - Reduction of CRE and Multifamily deferred until growth of other businesses can be realized
 - Consumer lending initiatives, including partnership with SC, delayed until 2017Q4
- **Continue to address historical regulatory shortcomings by 2019**
 - Pass CCAR in 2017
 - Continue to invest to close Consent Agreements and meet Heightened Standards
- **Complete transformation of from a “thrift” to a regional bank by 2020**
 - Positive jaws: Revenue +9.5% and expenses +3%
 - Increase branch sales force: 13% annual checking account growth in CBB
 - Invest in marketing and brand: from \$100mm in 2016 to \$130mm by 2019
 - Fix technology platform – TBD
- **Significant items not in P19**
 - Technology platform transformation – CBB plan dependent on critical technology improvements
 - Additional marketing spend to drive deposit and customer acquisition
 - Dividends to HoldCo

Updates included in Round 2

- **Updated macro scenario** – revenue at SBNA lower by \$200mm, primarily from lower rate curve adversely impacting NII
- **\$2B lower deposits from CRA downgrade and slower customer acquisition from decreased marketing spend**
- **CRE: aligned plan to a “maintain” strategy** – growth from other business initiatives and reduction of GCB impacting earnings and capital deployment; need to assess RAS limits and operating limits
- **Costs: targeting flat expense growth; reduction of \$180mm**
 - Technology spend is flat vs. Round 1
 - Support areas reduced from 0% to -3% CAGR
 - Front line reduced from 7% to 5% CAGR

SBNA Round 2 Update (US GAAP)

US GAAP (millions)	Round 2					Round 1					Round 2 vs. Round 1			
	2016	2017	2018	2019	16 - '19 CAGR (%)	2016	2017	2018	2019	16 - '19 CAGR (%)	2016	2017	2018	2019
Interest income	2,302	2,298	2,665	3,219	11.8%	2,329	2,704	3,343	3,790	17.6%	-28	-406	-678	-571
Interest expense	-499	-441	-578	-939	23.4%	-511	-650	-1,095	-1,341	37.9%	12	208	517	401
Net interest income	1,802	1,857	2,087	2,280	8.1%	1,818	2,055	2,247	2,449	10.5%	-15	-198	-160	-170
Fee & Other income	585	574	564	606	1.2%	588	581	591	652	3.5%	-4	-6	-27	-47
Net leasing income ⁽¹⁾	58	30	8	2	-65.3%	58	36	12	2	-65.2%	0	-6	-3	0
Total revenue	2,445	2,461	2,660	2,888	5.7%	2,464	2,671	2,850	3,104	8.0%	-19	-211	-190	-217
G&A expenses ex Leasing	-1,861	-1,954	-1,943	-1,945	1.5%	-1,887	-2,001	-2,056	-2,128	4.1%	26	47	114	183
Other expenses	-156	-83	-79	-69	-23.9%	-167	-85	-75	-68	-25.8%	11	2	-4	-1
PPNR	428	424	638	874	26.8%	411	586	719	908	30.2%	17	-162	-81	-34
Provisions	-156	-169	-184	-198	8.2%	-157	-173	-184	-198	8.1%	1	4	0	0
Pre-tax income	272	255	455	676	35.4%	254	413	535	710	40.8%	18	-158	-80	-34
Taxes	-63	-47	-121	-206	48.8%	-50	-106	-153	-220	64.4%	-13	59	32	14
Net income	210	208	334	470	30.9%	205	307	382	490	33.8%	5	-99	-49	-19

(1) Includes leasing income less lease depreciation expense from Chrysler lease portfolio

SBNA P19 Financial Summary (1/2)

US GAAP (\$ millions)		2015	2016	2017	2018	2019	'16 - '17 Growth (%)	'16 - '19 CAGR (%)
Income statement	Interest income	2,206	2,302	2,298	2,665	3,219	-0.2%	11.8%
	Interest expense	(539)	(499)	(441)	(578)	(939)	-11.6%	23.4%
	Net interest income	1,667	1,802	1,857	2,087	2,280	3.0%	8.1%
	Fee & Other income ex Leasing	700	585	574	564	606	-1.8%	1.2%
	Net leasing income ⁽¹⁾	56	58	30	8	2	-48.3%	-65.3%
	Total revenue	2,423	2,445	2,461	2,660	2,888	0.6%	5.7%
	G&A expenses ex Leasing	(1,906)	(1,861)	(1,954)	(1,943)	(1,945)	5.0%	1.5%
	Other expenses	(67)	(156)	(83)	(79)	(69)	-46.8%	-23.9%
	PPNR	449	428	424	638	874	-1.0%	26.8%
	NCOs	(159)	(70)	(112)	(123)	(144)	60.2%	27.3%
	Reserve Release (Build)	24	(87)	(57)	(61)	(54)	-34.1%	-14.6%
	Provisions	(120)	(156)	(169)	(184)	(198)	8.0%	8.2%
	Pre-tax income	314	272	255	455	676	-6.3%	35.4%
	Taxes	(139)	(63)	(47)	(121)	(206)	-24.9%	48.8%
	Net income	175	210	208	334	470	-0.7%	30.9%
Balance sheet	Investments	23,144	25,318	21,458	20,867	20,907	-15.2%	-6.2%
	Loans	52,321	54,348	53,328	54,127	56,793	-1.9%	1.5%
	Assets	85,039	88,768	83,147	82,760	85,326	-6.3%	-1.3%
	ALLL	611	628	655	663	700	4.2%	3.7%
	Deposits	57,875	60,600	58,131	59,973	62,852	-4.1%	1.2%
	Borrowings	12,005	12,627	9,307	6,854	6,207	-26.3%	-21.1%
	Shareholders Equity	13,413	13,570	13,691	13,905	14,192	0.9%	1.5%
	Tangible Equity ⁽²⁾	10,010	10,168	10,289	10,502	10,790	1.2%	2.0%
	RWA	71,395	65,292	62,317	64,250	65,431	-4.6%	0.1%

1. Includes leasing income less lease depreciation expense

2. Shareholders equity less goodwill

SBNA Round 2 P19 Financial Summary (2/2)

US GAAP (\$ millions)		2015	2016	2017	2018	2019	'16 - '17 Growth (bps)	'16 - '19 CAGR (bps)
Profitability (% of average earning assets)	Net Interest Margin	2.19%	2.26%	2.48%	2.78%	2.93%	22	67
	Fee & Other income ex Leasing	0.81%	0.73%	0.77%	0.75%	0.78%	3	5
	Net leasing income	0.09%	0.07%	0.02%	-0.01%	-0.02%	-4	-9
	Revenue	3.09%	3.06%	3.27%	3.53%	3.69%	21	63
	Expenses	2.51%	2.52%	2.71%	2.67%	2.57%	18	4
	Provisions	-0.18%	-0.20%	-0.23%	-0.25%	-0.25%	-3	-6
	Profit before tax	0.40%	0.34%	0.34%	0.61%	0.87%	0	53
	Net income	0.14%	0.26%	0.28%	0.44%	0.61%	2	34
Performance metrics	Net Interest Margin	2.19%	2.26%	2.48%	2.78%	2.93%	22	67
	Efficiency ratio	81%	82%	83%	76%	70%	25	-1290
	Fee / Revenue	26%	24%	23%	21%	21%	-52	-286
	Loan / deposit	90%	90%	92%	90%	90%	205	68
	NCO / Loans	0.30%	0.13%	0.21%	0.23%	0.25%	8	12
	ALLL / Loans	1.17%	1.16%	1.23%	1.23%	1.23%	7	8
	Provisions / Loans	0.26%	0.29%	0.32%	0.34%	0.35%	3	6
	ROAA	0.13%	0.24%	0.25%	0.40%	0.55%	1	31
	ROTE	1.05%	1.98%	1.99%	3.09%	4.17%	0	219
	RORWA	0.15%	0.32%	0.33%	0.52%	0.72%	1	40

SBNA 2016 to 2017 Net Income Drivers

Key Drivers

- **YoY interest expense** down \$58mm due to lower funding costs and lower wholesale borrowing
- **Leasing income** decreases by \$34mm driven by run-off of Chrysler lease
- **G&A Expenses excluding leasing** increase by \$93mm in 2017
 - \$28mm from Technology expense
 - \$20mm from technology depreciation
 - \$18mm from Marketing
 - \$15mm from loan expense (higher volumes)
 - Offset by reduction in Legal and others expenses
- **Provisions** increase by \$13 mm to support growth of balance sheet

(\$mm)	2016	2017	Δ
Interest Income	2,302	2,298	-4
Interest Expense	-499	-441	58
Net interest income	1,802	1,857	54
Fee & Other income	585	574	-10
Net leasing income ⁽¹⁾	58	30	-28
Total Revenue	2,445	2,461	16
G&A Expenses	-1,861	-1,954	-93
Other Expenses	-156	-83	73
PPNR	428	424	-4
Provisions	-156	-169	-13
Pre-tax income	272	255	-17
Taxes	-63	-47	16
Net Income	210	208	-1

(1) Includes leasing income less lease depreciation expense from Chrysler lease portfolio

SBNA P19 Net Income Drivers

Key Drivers

- **2019 net interest income** improved by \$477mm due to lower funding costs and increasing loan yields, offset by lower volumes
- **Net leasing income** decreases by \$68mm due to run-off of Chrysler lease
- **Fee and other income** up by \$21mm as a result of fee income increase in Consumer Banking and Commercial Banking
- **G&A Expenses excluding leasing** increase by \$84mm in 2019
 - \$12mm from Technology expense
 - \$29mm from technology depreciation
 - \$30mm from Marketing
 - \$27mm from loan expense (higher volumes)
 - Offset by reduction in Occupancy, Legal, and other expenses
- **Provisions** increase by \$41 mm to support growth of balance sheet

(\$mm)	2016	2019	Δ
Interest Income	2,302	3,219	917
Interest Expense	-499	-939	-440
Net interest income	1,802	2,280	477
Fee & Other income	585	606	21
Net leasing income ⁽¹⁾	58	2	-58
Total Revenue	2,445	2,888	443
G&A Expenses	-1,861	-1,945	-84
Other Expenses	-156	-69	87
PPNR	428	874	446
Provisions	-156	-198	-41
Pre-tax income	272	676	404
Taxes	-63	-206	-144
Net Income	210	470	261

(1) Includes leasing income less lease depreciation expense from Chrysler lease portfolio

Agenda

Executive Summary

Non-Strategic Assets

Update on Non-Strategic Assets

Status

Oil & Gas

- Portfolio put into run-off in 2Q2016

CEVF & Mortgage Warehouse

- Business lines demonstrate ongoing **profitability**, established **infrastructure** and historical **low risk/default** rate
- As opportunistic (but non core) business lines, CEVF and MW will continue to be **run on a low growth / minimal incremental investment** basis
- P19 forecast includes **~\$70M in pre-tax profit** and **~\$3B in balances**