US Commercial Credit Risk
Portfolio Management

Asset Based Lending “ABL”

Quarterly Update

3Q15 ended September 30, 2015

U.S. Head of Credit & Market Risk

Santander

ABL Snapshot

($ in Millions)

Metric ($MM)	Sep-14	Dec-14	Mar-15	Jun-15	Jul-15	Aug-15	Sep-15	SEPT '15 Budget	SEPT'15 vs. Budget
Exposure	1,593	1,593	1,611	1,743	1,649	1,644	**1,674**	**--**	**--**
Outstandings	895	895	862	886	937	934	**931**	**1,049**	-118
Delinquency	0	0	0	0	0	0	**0**	**--**	--
Ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**--**	--
Nonaccrual	21.0	7	4.8	3.9	3.3	2.3	**2.1**	**4.9**	-2.8
Ratio	2.35%	0.77%	0.55%	0.44%	0.35%	0.24%	0.23%	0.47%	-0.24%
Criticized Outstandings	57	44	39		92	91	**108**	**--**	--
Ratio	6.36%	4.92%	4.48%	10.82%	9.82%	9.78%	11.56%	**--**	--
Classified	38	12	26	36	28	25	**23**	**--**	--
Ratio	4.21%	1.34%	3.06%	4.06%	2.96%	2.71%	2.51%	**--**	--
NPL	21.0	7	4.8	3.9	3.3	2.3	**2.1**	**4.9**	-2.8
Ratio	2.35%	0.77%	0.55%	0.44%	0.35%	0.24%	0.23%	0.47%	-0.24%
Net Charge-Offs YTD	0	-3	0	-0.9	-0.9	-0.91	**-0.91**	**2.04**	-2.96
YTD Annualized Ratio	-0.01%	-0.29%	-0.12%	-0.21%	-0.17%	-0.15%	-0.13%	0.26%	-0.39%
VMG (local) YTD	16	-1	-2	-3.9	-4.6	-5.5	**-5.7**	**--**	--
Risk Premium	0.89%	-0.10%	-0.38%	-0.34%	-0.41%	-2.55%	-2.52%	**--**	--
Provision YTD	0.8	0.6	-0.7	0.0	-1.1	-1.4	**-1.2**	**2.3**	-3.48
Cost of Credit	-0.26%	0.07%	-0.05%	-0.22%	-0.19%	-1.49%	-0.16%	0.20%	-0.36%
ALLL	6.0	8.5	7.5	9.6	9.1	8.8	**9.0**	**8.0**	0.9
Ratio	0.67%	0.95%	0.87%	1.08%	0.98%	0.94%	0.96%	0.77%	0.20%
ALLL/Nonaccrual	28.72%	123%	158%	244%	281%	385%	424%	165%	259%
Mora	22	7	5	4.1	3.3	2.3	**2.1**	**--**	--

Sources: Credit Metrics 9/30/15; Budget data as of 3/18/15.

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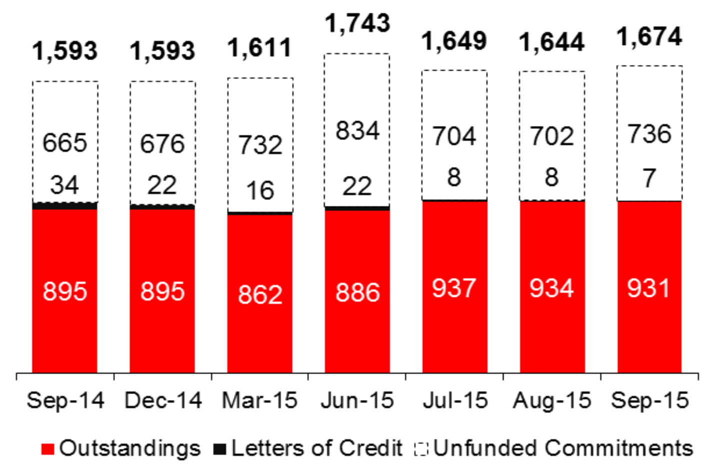
Credit Exposure Overview

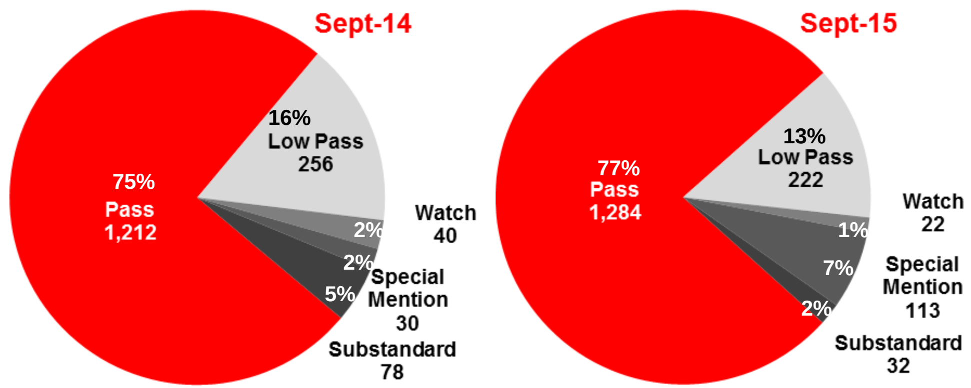
($ in Millions)

- The size of the portfolio continues to slowly increase after July's re-allocation of the $69MM PBF Holdings RLOC (5.3/No FEVE) to Energy Finance but also Arista's exit ($33MM, 5.4/No FEVE) to People's United. On a YTD and year-over-year basis, Exposure is up by 5%.
- Compared to June-15, Outstandings are increased due to higher usage under the 10th Lane revolver (Finance), and additional almost fully drawn new exposure, which included the refinancing for Infinity Staffing from Middle Market ($19MM, 5.3/No FEVE), the $15MM increase of the 3-year RLOC with GMMF Funding LLC ($35MM, 5.4/No FEVE), a closed-end investment company, and the new $24MM RLOC (5.1, No FEVE) for Wormser Corp, a packaging company.
- The portfolio quality remains stable, even slightly improving, with 90% of exposure rated "Pass" and "Low Pass", down from 91% in Sept-14, and 89% of the Exposure rated "No FEVE", up from 81% in the PY.

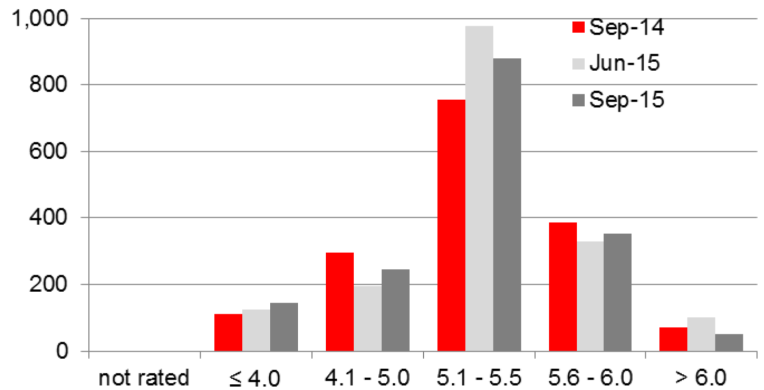
Exposure



Exposure by Regulatory Rating



Exposure by Obligor Rating



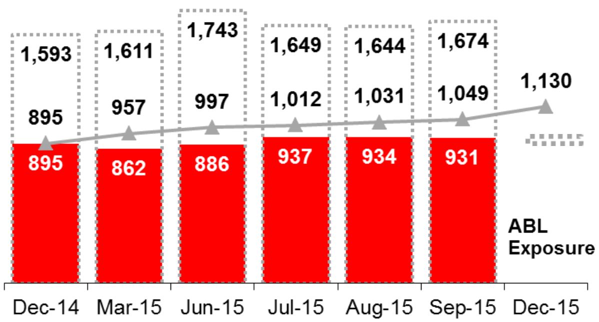
- Sources: The Exposure Chart on the top right is based on the 9/30/15 Credit Metrics report. The Exposure by ORR and Regulatory Rating is derived from Monitoring's FEVE report as of 9/30/15.

Performance vs. Budget

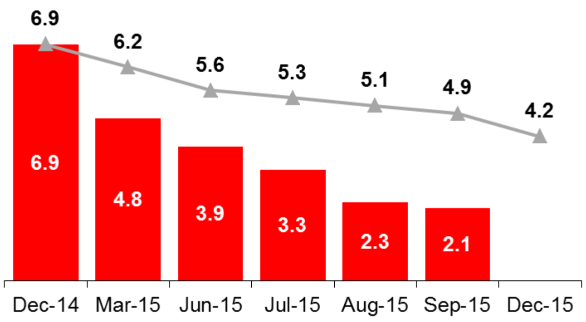
($ in Millions)

- ABL continues to perform well against its budget in almost every way.
- Despite increasing its funded outstandings since FYE14, ABL continues to underperform its budget by 11% due to a lack of funded new originations (Finance companies tend to have low utilization ratios) and decreasing usage under the existing credit lines.
- While the March decline in ALLL and Provisions was the result of the $1.6 million release of provisions for Mar Lees, a self-liquidating seafood company in Workout, the June increase in ALLL of $1.5MM is tied to a number of rating downgrades as well as the increased exposure in the portfolio, leading to higher generic reserves. No losses are currently expected within the portfolio, with an additional projected provision release of $1.4MM by 12/31/15, originally expected by 9/30/15.

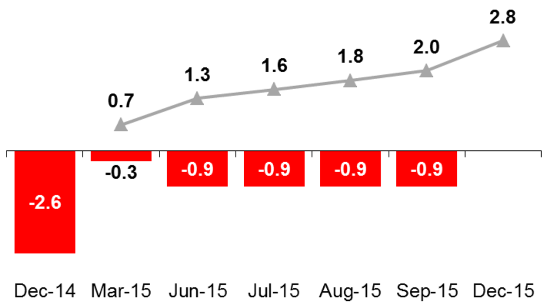
Outstandings



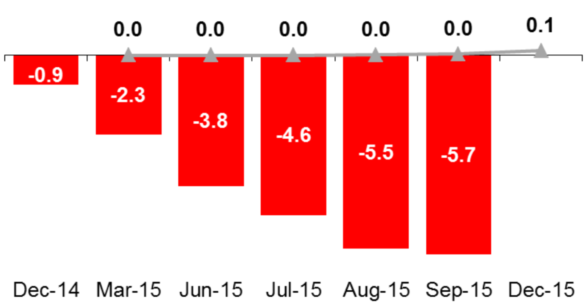
Nonaccrual Loans



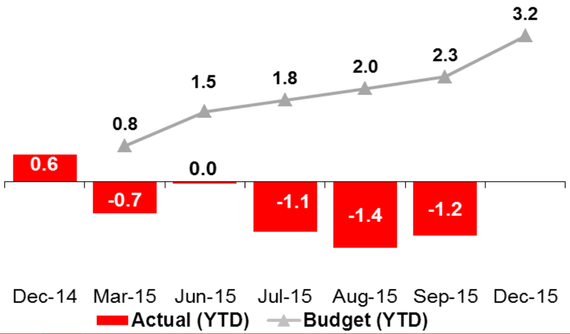
Net Charge-Offs YTD



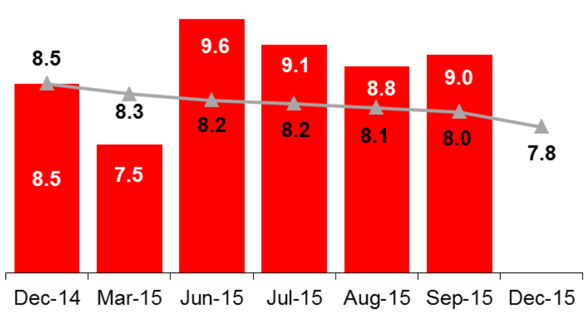
VMG (Spanish) YTD



Provision for Credit Losses YTD



ALLL

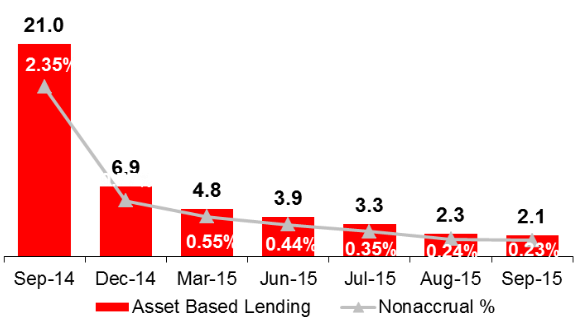


Credit Quality Metrics

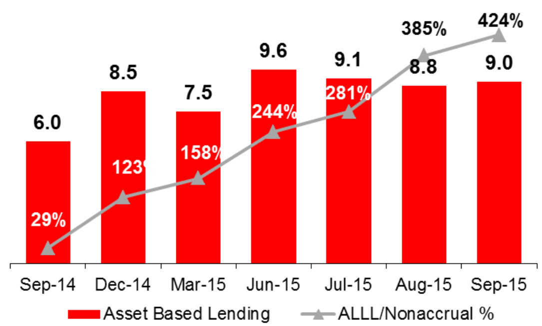
($ in Millions)

- ABL's credit quality metrics remain stable and generally confirm a positive trend. YTD Provisions for Credit Losses and Net Charge-offs remain negative, currently providing income primarily due to the release of 2014 provisions for Mar Lees Seafoods.
- The increased Criticized balances are the result of the downgrades of seafood company Stavis Seafood ($29MM) to 4.0 and more recently 2.5/Monitor after a significant 1Q15 loss and an expected weak FY15, the temporary downgrade of Pharmasol ($10MM) to 3.9/Monitor after a DSC and leverage covenant default as the business repositions its offerings, and various usage increases. The September increase was primarily due to the transfer of Global Plastics ($33MM) to Workout in Sept-15 and the downgrade of Solomon Edwards to 3.0/Extinguish.
- ALLL Coverage continues to increase due to the combination of a reduction in Nonaccruals caused primarily by the usage decrease in the Mar Lees revolver, while ALLL remain somewhat stable. No entries to NPL are currently expected for 4Q15.

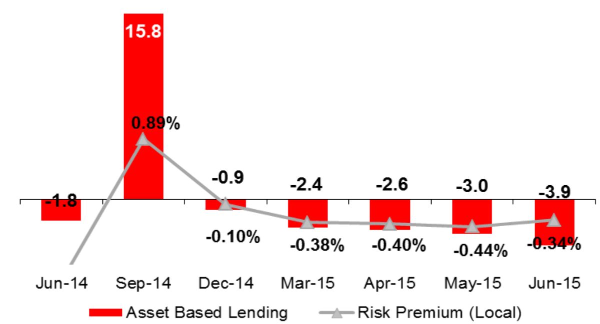
Nonaccrual Loans



Allowance & Coverage

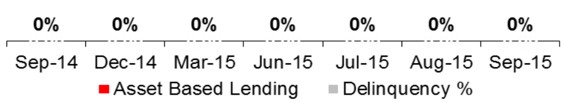


VMG & Risk Premium

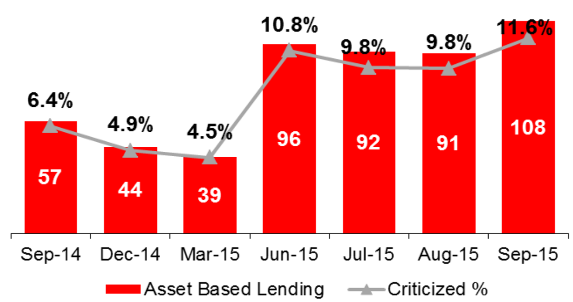


Delinquency

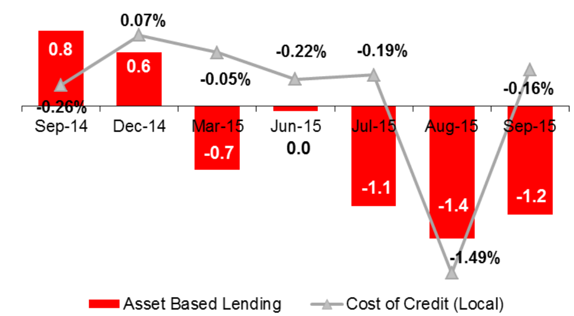
No delinquencies were reported.



Criticized Loans - outstandings



YTD Provision & Cost of Credit



Source: SBNA Credit Metrics as of 9/30/15.
Note: Classified = Substandard + Doubtful + Loss = SRR < 2.0
Criticized = Classified + Special Mention = SRR < 4.1

VMG = Change in Mora (Nonaccrual incl. letters of credit) + Net Charge-Offs
Cost of Credit = Rolling 12 months Provision / Average 12 months Utilizations
Risk Premium = Rolling 12 months VMG / Average 12 months Utilizations

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New Originations

($ in Millions)

- New origination activity has been driven by ABL South and particularly the Finance business, which added $110MM of Binding Exposure in 2015, not counting any increases of existing exposure.
- All of the new Finance borrowers were originated with Underwriting Guideline exceptions; the remaining borrowers with exceptions are bolded in the chart below.
- The exceptions recorded for the New Originations are related to Underwriting Guidelines concerning loan covenant and field examination guidelines.
- Since the Strategic Commercial Plan did not outline specific targets besides profitability and minimum/ maximum transaction sizes, there are no exceptions to the SCP.

YTD 9/30/15 Stats

	#	Binding Exp. $
Total Facilities booked	16	216,087,000
Thereof Facilities with Exceptions	10	184,780,000
Total Exceptions recorded	23	184,780,000
Thereof CP	0	-
Thereof UG	23	184,780,000
Total Obligors	11	
Total WARR	5.30	
Average Tenor	3.60 years	
Average Deal Size		13,505,438
Total Obligors w/Exceptions	7	
Total WARR on Facilities w/Exceptions	5.31	
Average Tenor on Facilities w/Exceptions	3.60 years	
Average Deal Size of Facilites w/Exceptions		18,478,000

OPEN	OBLIGOR_NAME	SRR	FEVE	Total
Feb-15	WARSHAUER ELECTRIC	5.1	No FEVE	$ 925,000
Feb-15	GEC OIL LLC AND ROBISON	5.2	No FEVE	$ 15,000,000
Feb-15	**JEFFERIES FINANCE LLC**	5.6	No FEVE	$ 50,000,000
Mar-15	**Solomon Edwards Group LLC**	4.4	Monitor	$ 15,000,000
Apr-15	GILES & RANSOME INC	5.5	NO FEVE	$ 10,000,000
May-15	**GMMF FUNDING LLC**	5.4	No FEVE	$ 20,000,000
Jun-15	**Gladstone Business Loan**	5.2	No FEVE	$ 25,000,000
Jun-15	**Sotheby's**	5.4	No FEVE	$ 50,000,000
Jul-15	The Paddington	5.0	No FEVE	$ 5,382,000
Sep-15	**Wormser Corporation**	5.1	Monitor	$ 24,000,000
Sep-15	**Canton South**	5.2	No FEVE	$ 780,000
		5.3		**$ 216,087,000**

Source: New Originations Report as of 9/30/15.
Note: New Originations does not include Increases or refinancings of existing exposure, which accounted for $66MM as of 8/31/15 YTD. For example, GMMF Funding LLC was increased to $35MM in July, but only the original $20MM origination is reflected.

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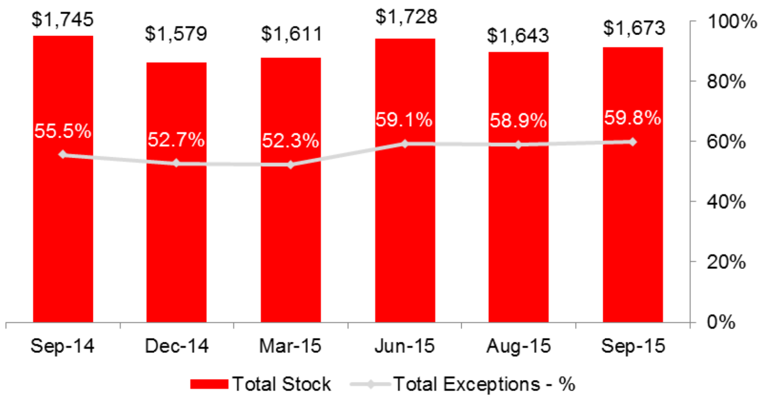
Exception Management

($ in Millions)

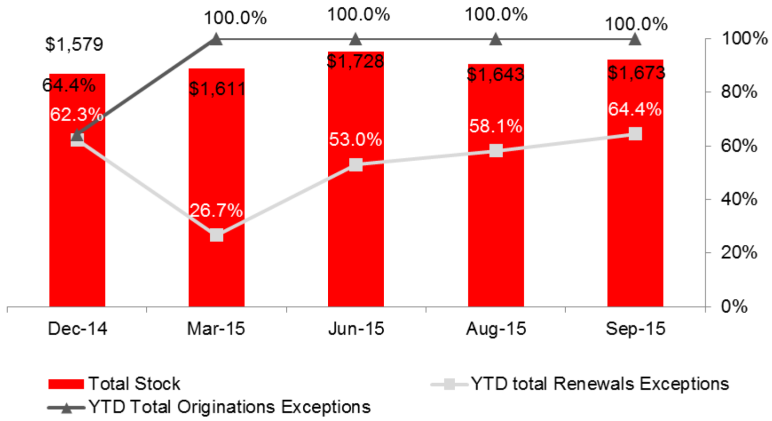
- ABL accounts for a relatively large amount of exceptions (13.0% of SBNA's Exceptions Binding Exposure) based on the size of the overall portfolio (2.6% of overall Binding Exposure).
- Of the 60% of exceptions reported on an exposure level as of 9/30/15, approximately 97% are related to Underwriting Guideline exceptions. Note that all new originations have underwriting exceptions*.
- Underwriting Guidelines exceptions were mostly related to field exam and advance rate guidelines, and affected 72 facilities.
- The 3% of Credit Policy exceptions is related to Pharmachem ($24.9MM), due to a FDICIA exception (LTV exceeds limit).

Total ABL Exceptions



September-15	BANK	ABL	% ABL Portfolio	% of Bank Portfolio
Total Facilities #	35,788	618	-	1.7%
Total Portfolio	$63,302	$1,673	-	2.6%
Total Exceptions Facilities #	1,294	73	11.8%	5.6%
Total Exceptions Exposure	$7,690	$1,001	59.8%	13.0%
Policy Exceptions #	11	1	1.4%	9.1%
Policy Exceptions	$47	$25	2.5%	52.6%
UW Guidelines Exceptions #	1,287	72	99%	5.6%
UW Guidelines Exceptions	$7,645	$976	97%	12.8%

YTD Exceptions



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P&L Performance

Highlights

- The portfolio is estimated to generate 9% more revenue, derived from higher deposit balances and loan outstandings; PBT is expected to remain stable as expenses are projected to increase following changes in the cost allocation methodology.
- YTD Net Interest Income is in line with budget despite the lower line usage and decreasing spreads, which was offset by higher fee income.
- YTD Pre-tax ROA exceeds its budget due to the lower than expected interest expense and flat operating expenses.
- The largest contributor to ABL significantly exceeding its budgeted income continues to be the $4.2MM in provision income.

2015 Budget

	2014	2015	Variance
Net Interest Income	21.2	22.1	1.0
Fees / Other Income / ROF	7.2	7.9	0.7
Revenues	28.4	30.0	1.7
Operating Expenses	(11.9)	(14.3)	(2.4)
Provisions	(2.9)	(1.9)	1.0
PBT	13.5	13.9	0.3
Taxes	(4.8)	(4.9)	(0.1)
Net Income	**8.8**	**9.0**	**0.3**
Pre-Tax ROA	1.52%	1.38%	-0.14%

Key Credit Risk Indicators

	Actual	Budget	Variance
Gross Chargeoffs	0.0	2.6	-2.6
Recoveries	-0.9	-0.6	-0.3
Net ChargeOffs (neg = income)	-0.9	2.0	-2.9
Total Provision (neg = income)	-4.2	1.3	-5.5
ALLL	9.0	8.0	1.0
Exposure	1,674	n/a	
Unpaid Principal Balance	931	1,049	-118
Provisions/Assets	-0.5%	0.1%	
ALLL/Assets	1.0%	0.8%	0.2%
Delinquency	0.0	n/a	
NPL	2.1	4.9	-2.8

2015 YTD vs. Budget

	Actuals	Budget	Variance
Gross Interest Income			
Interest Expense			
Net Interest Income	15.4	16.0	(0.6)
Fees / Other Income / ROF	6.0	5.8	0.2
Revenues	21.4	21.7	(0.3)
Operating Expenses	(8.2)	(9.1)	0.9
Provisions (pos = income)	4.2	(1.3)	5.5
PBT	17.4	11.4	6.0
Taxes	(5.5)	(4.0)	(1.5)
Net Income	**11.9**	**7.4**	**4.5**
ROA	1.81%	1.01%	0.80%

Source: Actual results and Budget data were provided by Finance and Solvency. The amount of total provisions was tied to Management Control numbers.

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