Santander Consumer USA

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Unidentified Participant: Okay, good morning. We're going to get started. Thank you very much for joining us for the first session of the 2015 Financial Services Conference. Very pleased to kick it off with the management from Santander Consumer. We've got the new CEO, Jason Kulas, joining us. With that, I'll hand it off to Jason.

Jason Kulas: Thank you, and welcome, everyone. I'm really happy to be at the conference again this year, and have the opportunity to talk about our story, and what we're doing. What I'd like to start with is just to point you to the Safe Harbor statement that we have on page 2 of the slide presentation, and then before we get into the materials that I have to present to you today, I want to give a little bit of a background on who we are, because I know -- there are a lot of people in the room who know us really well and are just getting an update on who we are, but there may be some people who are less familiar with our story in the room, or listening to the webcast. So, I want to just kind of back up a little bit, and talk about who we are.

So, Santander Consumer USA is a technology-driven, consumer finance company, focused on originating and servicing assets for ourselves and also servicing assets for third parties. If you go back to the beginning of the Company, our core customer at the very beginning, was someone who walked into a franchise dealer. So, this is a dealership that's associated with a major brand, Toyota, Chevrolet, Chrysler, Honda, Ford, and wanted to buy a new, or relatively new car, but had less-than-prime credit. So, that's -- at our core, from the very beginning, that was our customer, someone who walked into one of those franchise dealers and wanted to buy a new or relatively new car. And our thought, our approach to underwriting for the non-prime spaces, has always been that we want to put someone in a structure they can afford, in an asset that will run for the life of the loan, hence the newer asset, so that we can set them up for success. And that's -- you know, if you go back to the mid-90s when the Company was founded, that was the focus, and really even today with all the automation and data, and all the things that we have in place, all the tools we have at our disposal, at our very core that's exactly what we're trying to do today. And clearly, we're a full-spectrum lender as well, and we've expanded the business, but that's where we came from.

Today, we're majority-owned by Banco Santander through its US bank holding company

SCUSA, and that's been a really good relationship for us. And I'll talk about this in a little bit more detail later, but big bank ownership I think, is a big part of our story. But if you look at how the Company developed with that core that I mentioned, that core beginning on the kind of non-prime consumer buying the new, or relatively new, car through a franchise dealer, we began -- as we got into 2004, 2005, 2006, we began starting to look for ways to move up-market, and not moving up-market away from the core business that had sort of been our core business for so long, but as a way to grow the business. And what we found was, as much as we had a data advantage lower in the credit spectrum, we tended to be at a data disadvantage as we moved up. And when you get into prime and super-prime, FICO gets pretty predictive. But if you're still in non-prime, and working your way up into the higher parts of non-prime, data is very important and you have to -- you have to make sure that you price for data you don't have, and obviously if you do have the data, it tends to be a real advantage.

And so, we didn't have that, but then the downturn came. And between the summer of 2008 and the spring of 2011, we acquired and/or converted onto our systems almost $35 billion of auto loans, and that made a big difference for us, because if you look at just the economics of the transactions, they were good transactions for us economically. But, they also came with a lot of data. We bought Citi's auto finance platform, we bought HSBC's auto finance platform, we bought a company called Triad Financial, we made several acquisitions and along the way, also picked up a lot of data up-market and near-prime. And so, now we were standing shoulder-to-shoulder with anyone who could claim that they had a lot of data up-market, and it really allowed us to start to build something that was more than just a deeper sub-prime auto finance business -- still through the same channels, still through these franchise-affiliated dealerships, but more of a full-spectrum lender.

And then, that story completes when, in May of 2013, we launched nationwide as the preferred financial provider for Chrysler and all of its brands, Chrysler, Jeep, Dodge, Ram, Fiat, and that put us into prime and super-prime. So, it truly made us a full-spectrum lender. We were not just in retail installment contracts. We also expanded into lease, and looking at floor plan, those kinds of things, and that was a really interesting development for the Company that still is a big driver of the Company today.

And then finally, I'll touch on the strategy, and then we'll get into some of the slides. If you look at our strategy today, it's really the same as it's been, because that's one question I get a lot is, "So, what's going to be different going forward?" And you know, I want to be real clear about the fact that our focus is on exactly, today, is on exactly what it has been really for the better part of our history, but also very consistent with over the last couple -- few quarters, what we've been talking about being focused on, and that's that every single day, we get a chance to look at a lot of applications. Almost a million applications a month. And our goal is: to leverage our efficient and our scalable platform that we've built; to make good decisions; to leverage the data that we have, to make good decisions on those applications; meet the right risk-reward tradeoff on the assets that we look to book; put those assets on the books, or sell them to third parties; and then have an efficient way to collect those assets. And we feel like if we continue to do that, the way we've done it, that we'll continue to be successful over a longer period of time.

We're excited about the growth opportunity we have in the Chrysler business in prime, and I'll talk about that in more detail. We're excited about continuing to grow the

serviced-for-others platform, and we'll also talk about that.

So, what I'd like to start with is this slide, titled, "Investment Rationale," and if you went to our investor day or saw the materials from the investor day last year, that's when we first introduced this slide. And I like this slide, because it's a great way in one place for us to talk about the things that we feel like really differentiate SCUSA, and that's -- I'll focus on the circle of -- the circles on the left, and I'll just make my way around the circle.

If you look at the top, consistency and trust. You know, SCUSA has a relationship with a lot of the major banks and big relationships, big lending relationships, with a big group of the major banks. We have an active presence in the capital markets, we've been among the biggest issuers for many years running in the capital markets. Big investor following, and it's the exception when someone hasn't done the diligence on our platform and decided to invest in our bonds. We have good relationships with all the major rating agencies, and we consider as our peers the companies who are the best at doing this, and that consistency and that trust that's been developed over many years, we feel like is a big differentiator for our story.

The next box is, experience through cycles. If you look at our company and our performance through cycles, what we've been able to show is that we've consistently originated vintages that have been profitable. So, on a fully-loaded basis, we've actually never had a vintage that has not been profitable. So, in 2008 when a lot of our competitors were losing money because they did have unprofitable vintages, we were not suffering through that same fate. We actually had vintages that were less profitable than we had modeled, but still profitable. And the reason that's meaningful is, if you think about, people talk a lot about the resiliency of the ABS market, the auto ABS markets, and certainly our bonds fit into that category as well. But, as the equity holder of the underlying paper, we also fared really well when we went through the crisis. And so, that obviously brings a lot of experience, but the second piece on that is our team. With only a couple of exceptions -- we've made a lot of additions to the team to strengthen the team and add depth to the team, but with only a couple of exceptions, the team operating and running this company today is the same team that ran it before the crisis, and through the crisis. And, we think that experience and that consistency in management is a real differentiator for the Company.

If you look at efficiency and costs, we still today, even with all of the growth we've had and all of the regulatory infrastructure that's been added along the way that companies who operate in the consumer finance sector, or in the banking sector, have had to add. We've continued to increase our efficiency, and that's -- so we started off as one of the most efficient providers in the industry, operators in the industry, and we still today can say that, and we feel like that gives us a lot of benefit.

Data, we've got 20 years of our own data, and that's great because we can leverage that data into making good risk decisions, separating goods from bads, all the basic things that we do every single day, the basic blocking and tackling of a business. But, we combine with our own data, the data that we purchase through the acquisitions that we made between 2008 and 2011, and we feel like we've got -- very early on, one of the big focuses of this company was developing a data warehouse that could be leveraged to make good decisions, where you not only have the data, but you have the data in a format

that it can be used to build good models and make good decisions. And that was a focus from very early on. We didn't have to play catch-up on that, and now again, we're 20 years into building that infrastructure and that data warehouse that we feel like helps us a lot, particularly in the non-prime space where having that data is just critical.

And then, compliance and safety and soundness. If you look at the environment that we're in today, clearly compliance is a big focus, and everybody is focused on it. If you want to survive in the market, you're going to make this a core competency. The benefit we have is that we've been owned by big banks for 15 years. So, we're not just starting this. Clearly, the market's different than it was five years ago, 10 years ago, but for the last 15 years, we've been focused on making sure that we get the things right that big banks have to get right. So, that entails compliance, internal audit, internal control. All the controls and risk functions that you would imagine that a big, global bank doing things the right way would have, we've had, as a non-bank consumer finance company for a long period of time.

The benefit we think that gives us, is that it positions us to be a leader and to be prepared for the environment as it changes. It doesn't mean we're perfect, it doesn't mean we never have an issue along the way, but I think on a relative basis what it means, if you're looking at wanting exposure to the sector and you're thinking about the people who do things the right way, we think we're on a very short list of the people who can check all those boxes.

Technology, we call ourselves a technology-driven consumer finance company, and we don't just do that because we think using the word, "technology," will get us a higher multiple. We actually really do have a focus on technology. It's at the core of everything we do. It's at the core, it's one of the main drivers for why we're such an efficient operator in the industry, so when we talk about our efficiency relative to others, the big driver for that is the automation and technology we put in place. And we continue to focus today, just as much on that as we always have. So, this company made some investments in technology very early on that have benefited us through the years. We've probably made investments in technology that were way ahead of the company's time. Expenditures that, had we not recognized our potential, would have been sort of overdone, and that's benefited us from a scalability standpoint, and we'll get to scalability. But, it's become cultural for us, and it's something we continue to focus on today. So, whether it's looking at ways to monitor calls, and control every step of the process and the collection side of the business, we're constantly looking at ways to continue to leverage technology to keep what we think is a lead over the bulk of the market, right.

So, we operate in a very fragmented space, and if you talk about the top five or six competitors in this market, a lot of the big banks have great platforms, and we're one of those. We're one of those platforms, but if you look at the thousands of people who do this, and sort of compare people to other people, we feel like technology is a big differentiator for us as well as these other things.

And then finally, scalability. We showed through the downturn, the scalability of our systems, and we feel like that's a real benefit for us as we look forward because -- so, if you think about the base we had going into the downturn, the $35 billion we added onto our systems on top of what we were originating ourselves, and clearly, we showed that we were scalable. Then our systems, the backbone of our systems, could handle the

growth. You had to have people to collect the assets, you had to have incremental dialer licenses, and some of them, the operating things you have to have, but the core systems which are the biggest part of the scalability discussion, we proved that they were able to be scaled to the extent we scaled them.

The reason that's relevant today, because that's great to tell that story about the past -- the reason that's relevant for us today is that we still plan to grow. We've got an opportunity today, if you just limit it to what we -- the opportunity you have with the Chrysler relationship -- we have the opportunity today to have a much bigger, managed book of assets, and we've got the systems and the capability and the operational processes in place to be able to scale and handle that growth effectively.

So, that, these are the, I guess the number one things we would point to, if you think about telling a story about what differentiates SCUSA from other people you may be looking at in the sector. We have what we call secondary factors listed to the right, and we don't call them secondary factors because they're not important. Clearly, these are topics that are big topics of discussion in any environment, and particularly today they're big topics. But, what we think, is that they're just that. They're a function of the macroeconomic environment we're operating in, and not necessarily things individually that are huge differentiators for companies.

We can talk about for interest rates, and cost of funds, and liquidity, how we have a big investor following, and we think that that results in our maybe having liquidity longer than others, or maybe getting the benefit of the doubt on ratings and those kinds of things, and maybe incrementally that has a benefit. But, over time, if cost of funds goes up, we all deal with the same issues about how much of that can be passed on, and how much of that eats into your margin, and how you react to it, and those kinds of things.

The same thing on used car prices. We go through periods where used car prices are high, and when they're low, and everybody has to deal with those issues as they come across them. Unemployment and gas prices -- if unemployment's low, and gas prices are low, cash flows are higher and that benefits everyone in the industry.

And then same thing on losses and provisions. You know, we spend a lot of time talking -- and we'll spend a little time today, as well -- talking about losses and provisions, because they tend to be a number and they tend to be a headline number, particularly if you have exposure to non-prime assets. But, we tend to think they're just sort of a result of your operating philosophy and your risk approach to the business. So, if you -- provisions for us are timing, losses are the result of a mix of assets that you have on your books. If the assets are performing in an environment that you would call stable, which is where we think we are today, and the trends you're seeing are relatively consistent with what you expected, then the losses, whether they're high or low, are really just a result of the mix of assets you have on your books, and the provisions are a result of that same thing. So, we'll talk about that in more detail, but that's the reason we would call those things, which I know tend to be topics that are discussed a lot, secondary factors.

If we're talking about what makes us an interesting investment, what makes us a company that is differentiated from others, it's more the things on the left than the right.

Getting a little bit into the originations and servicing drivers on slide 4, on the prime side

of the business we have a big opportunity. If you look at our penetration rate in the second quarter for Chrysler, it was 28%. We have a lot of upside in that number, and as we continue to originate prime loans and leases through this relationship, we feel like that's a real growth driver for the managed book at SCUSA.

So, one of the questions we get is, "Well, so what makes you think that you have this growth coming?" Well, we've got a 10-year contract with Chrysler, we're only two years into that contract, and subvention dollars are a big driver for business in certain interest rate environments. And so, as interest rates increase, and the gap between a subvented rate which may be at 0% or at least an attractive, very low rate, the gap between that rate and what a typical prime customer would pay on an un-subvented rate that isn't done through the manufacturer -- when that gap increases, more business is directed to the subvented rate. We have the right to the majority of the dollars Chrysler puts into its brands for those subvented rates, and so we know as the rate environment goes up, a lot of that prime business will come our way. And we're very excited about that opportunity, because we know we can handle it from a managed book perspective, from an operational capacity perspective, and we've got a lot of partners who would love to buy those assets from us and have us service those assets for them. So, we're really excited about the opportunity that brings.

And that goes to the third bullet here, which is, we do prefer to sell prime assets to third parties and retain their servicing. Economically, we think that's the best trade-off for us in an environment like this, where we have a lot of third parties who want to own those prime assets and have them on their books. So, big growth driver for the business.

Non-prime assets, we use the word, "mature," and if you look at some of the recent trends in non-prime assets for us, you'd say, "You know, it doesn't look mature, it looks like you've had some opportunity there." And we certainly have times where we will sign a new partnership that has some incrementality to it, or we have pockets in the market where, as we're analyzing the risk-return tradeoff, we see an opportunity to maybe book incremental loans. But over a long period of time, we do view this business as mature. It's the business that is the strong core of our business, it'll always produce strong cash flows through cycles for us as it has through other cycles in the history of our company. But again, we do refer to this business as relatively mature.

And on this business, it's the opposite. We prefer to retain these higher-margin assets on our books. We've got a long history with these assets, we understand them very well, and especially early on in the life of these assets, we wouldn't get the value that we know we have inherent in these assets if we sold them. So, we tend to keep those assets.

Then, that leads us to the serviced-for-others platform. The reason the serviced-for-others platform for us, is such an opportunity, is because not just anyone can do it. If you think about the world we live in today, where if you own consumer assets, you can pick up some efficiency from allowing someone like us to service those assets for you. There's no question about that. But, when you take the time to do diligence on someone, to really figure out if reputationally you can afford to align your brand with theirs, it tends to be a pretty small list of people who meet those requirements. Because, any small gain you would get in efficiency is more than offset by someone mistreating your customers, or not having proper controls in place and not taking compliance and the regulatory environment that we live in today seriously enough. Or, just not having --

maybe taking it seriously, but not having the resources and experience to be able to operate effectively within that kind of an environment.

And again, we have times where we have issues that come up, but on a relative basis, we feel like we stand tall among the people who would be attractive partners for people who own consumer assets. And so, what we've seen, and the reason why you've seen a compound annual growth rate of over 100% between the fourth quarter of 2013 and the second quarter of 2015 in this business, is because of that very fact, that we do have a lot of third parties who have done that diligence on our platform and said, okay, that's a brand we can align ours with. That's a company that has controls in place and a process in place to ensure that they do things in compliance with the regulations, and that's a company that's owned by a big bank, that's been owned by big banks for 15 years. There's a lot of stability there. We meet all those requirements.

So, when we talk about this as being a growth opportunity for us, it's because of that. It's because it's not just an idea, it's something that not just anyone can decide to do, and it's something that we've got a track record in, and we feel like we can continue growing and feeding. We do continue to focus every day on optimizing the mix of what we retain versus what we sell. It's an ongoing process for us. If you think of the business in thirds, the deepest third we should always keep on the balance sheet, especially early on, because the range of expected outcomes are so wide early on, when you originate a non-prime asset, that we like that asset because we have experience with it and we've shown through cycles that we can be profitable holding those assets. And so, those will always be on our balance sheet.

And if you look at the far right hand side, or your left, and you look at the super prime and prime assets, it seems to be a no-brainer that those assets should be originated, and then sold to third parties with servicing retained. But those assets in the middle, those kind of lower-end prime, or near-prime type assets, those are the assets where on a daily basis we're making a decision about sell versus keep. And the net result today is that it seems to be attractive for us to sell those assets to third parties. We're doing a lot of that through our CCART platform, our Chrysler Capital Auto Receivables Trust platform, and I'll talk about that in more detail in a little bit.

So, clearly, this is a business that is capital-light, has high ROE, it's a nice recurring fee income stream for us, and it's a business we want to continue to focus on. So, strategically, again, if you just think about the business, we've got the core non-prime business that is a very strong cash flowing business, and we've got growth opportunities that really propel the Company forward, and we think, continue to allow us to create value as we originate more prime assets and use that to feed our serviced-for-others platform. And the result is, the managed book goes up, we continue to see incremental improvements on efficiency, and we think that's a good story.

The next few slides we have, these are repeats from our second quarter earnings materials. And so, I'll just highlight a few points on each of these slides, because I want to make sure we leave time for questions. But, you know, clearly income has been a good story for us. You know, when we go through a cycle, that's a time when we can differentiate ourselves, and I mentioned that earlier. And when things are more stable, we've seen really solid performance, pretty consistent margins. On the expense side, that's a big differentiator for us, as I mentioned earlier. So, we've continued to grow the

business and we've continued to add a lot of infrastructure in control areas, reflective of the environment that we're in. But even through all of that, we've been able to see incremental improvement in that ratio, expenses to managed assets, and we're real proud of the track record there. So, that's the story on income and expenses.

And then you know, getting more into some of the operating metrics and drivers, you can see the yields. One of the comments you hear us say a lot these days, for the past several quarters, is, we use the word, "stability," a lot. We'll get to that on the next page, too, but we're seeing that in our yields. The yields are slightly down on the top line, from 16% to 15.6% June-over-June, but that's also influenced by the increasing lease on the books which has a much lower yield. Where you see, if you look farther down on Retail Installment Contracts Average APR, and you may not be able to see it on the screen, but that's an increase from 16.3% to 16.9%. And so, you see the reflection of some of the higher margin assets that we're retaining on the books.

But again, the story here is pretty consistent performance, and stability. Expense ratio is very attractive, returns are solid. Return on equity is down because we're retaining a lot of equity, so that there's a denominator effect there, but even at that lower level it's still a very healthy return on equity. And you can see the changeable common equity, to changeable assets, broken out with a substantial increase from 10% in June of 2014 to 11.5% in June of 2015.

If you look at credit metrics and drivers, again, the story here is stability. If you look at net charge-offs, relative to the growth in the portfolio, it's a very stable story. If you look at the net charge-off ratio, even if you add back some of the benefit that you get from some of the asset sales, the benefited net charge-offs, it's really -- it's about flat year-over-year, and that's what we view as a very positive sign. You know, if we look at our portfolio and the performance of our portfolio relative to our expectations, it continues to be in line with what we expected, and that's something we view as a very positive sign that things continue to be really stable.

Delinquency, again, same story. Delinquency has held up really well, being relatively flat year-over-year, and then if you look at provisions in allowance, that tends to be a big topic of discussion. And there are a couple points I'd make on that, and let me just -- you know, because we spend a lot of time in every quarter, in every quarterly conversation, talking about provisions and allowance. And if you look at provisions, there are three main drivers for that. The first driver of an increase in provisions for us, is a model effect. So, we have coverage greater than 12 months, so as we look out beyond 12 months, the way the model works, it's an actual period that we're looking at. So, there are times during the year where that period that's beyond 12 months includes another fourth quarter, and times where it doesn't. In fourth quarter, just operationally, seasonally is your worst quarter performance-wise, every single year.

And so, in the second and third quarter, that forward look includes two of those more negative periods, and so we see an increase in provisions during those times, and then you get it back in the first and fourth quarters. And so, that's the first impact.

The second impact on provisions is more retained volume. We can't forget that if you look year-over-year, if you're comparing provisions, we have a lot more assets retained on the books than we did in the prior year. So, clearly, that's going to be a big driver of

provisions. And then the third, is mix. If we have a certain mix of assets on our books, that is a lower mix, and in our case we've seen that opportunity to have the mix of assets on the books be a lower mix, that mix of assets is going to have higher losses which is going to result in higher provisions. And one of the things we spend a lot of time talking about, is the relationship between losses and provisions, and income. So, if income is consistent with what you expect, then higher provisions is just a result of mix, right? It's just a result of the assets that are on your books, and you'll have income to offset any impact of the losses of that book.

So, we continue to be very bullish about income going forward, and one of the main reasons is directly tied to this increase in provisions, because we've got a lot of assets that are high-margin assets, on the books.

And then the other topic is the allowance ratio. So, you see the increase year-over-year, from 11.4 to 12.4, and you've got the seasonal impacts on this allowance ratio as well, but you also have -- there's another factor that I want to make sure is not lost on people, and that's if you look at our success in selling assets to third parties, what we've done over time is, we've increased the amount of assets that we're marking as held for sale, because we're more confident in our ability to sell those assets. And when we do that, this ratio doesn't include those assets. So, it doesn't include the assets you sold, it doesn't include the assets you've marked as held for sale. And so, what's left is a book of assets that has a higher percentage coverage.

So, if you think about it like this: if I've got a spectrum, and it's a normal distribution of -- or it slopes with credit. So, on this side I've got prime assets, and prime assets have a lower percentage reserve requirement, just by the nature of the prime assets and the losses associated with those. And then, I've got sub-prime assets, and those sub-prime assets have a high percentage requirement. And the historical ratio of allowance to loans that I've had, reflects a mix, an average, of what those assets are. So, that's the historical look.

If I take that same exact chart and don't change anything on it, except that I take some of the higher-tier assets with lower percentage coverage, and I sell those to third parties, what's left was already there, but what's left has a higher percentage coverage. And so, my average ends up being a higher number. And so, that's one of the biggest drivers of why that percentage is different.

If we can go through periods where that percentage is different, or the provisions are different, because of performance-related issues. Right now, we're not seeing that. Right now, we're seeing stability of performance, and we're seeing that our ratios are changing. Our allowance ratios are changing, because of the mix of assets that are on the books. So, it ends up being for good reasons. This is why, again, going back to the first page where I talked about investment rationale, that we would put a topic like losses and provisions, which is such a big topic in consumer finance, why we put that on as a secondary factor. Because today, it's exactly that. It's just the result of making good risk decisions on assets, and then the result of what we decide to keep on the books.

So, I hope that provides some additional clarity, but again, the point that we always try to leave people with when we talk about this subject is, we always have to remember the relationship between losses and provisions, and yields, and income, because if you have

higher provisions in a stable environment, you're likely to have higher income, and that's what we expect.

And then finally, we've got our funding and liquidity slide. We -- I've really covered most of the topics I would want to cover on this page. There are actually just two things I want to highlight here. The first is diversity. One of the things we focus, spend a lot of time focusing on, as it relates to liquidity, is diversity of liquidity sources. So, we have a lot of strong banking relationships, and even within those banking relationships, we have diversity of maturities. We have diversity of partners. We have diversity of types of liquidity provided, so we have a really strong mix of revolving warehouse capacity, and term, amortizing term, conduit capacity, and there's a really healthy mix of that. But then, in addition to that, we've got Santander and the liquidity we have through the Santander relationship, and then on top of that we've got our securitization platforms.

And we have three distinct -- and that's what I want to spend a second on -- we have three distinct securitization platforms, and I'll kind of walk through what those are, because I know sometimes there's some confusion in the market, with us having such a big presence, and, "Okay, so what's a CCART deal versus an SDART deal and a DRIVE deal?"

So, if you start at the very top of the credit spectrum, we have our CCART platform, and that's Chrysler Capital Auto Receivables Trust. So, this is a platform that was launched after we launched the Chrysler business, and it's our up-market platform. It's an average 700 FICO, it's a platform where we've always sold through the residual, and so it's just part of our normal program of taking prime assets and selling them to third parties and retaining servicing, except this is just done in a more structured way. And so, that platform is met with a lot of demand. We haven't reached the full potential of that platform because we haven't yet grown the Chrysler prime business as much as we expect to grow it going forward, as I mentioned before.

And then, the next step down, is the Santander Drive Auto Receivables Trust, the SDART platform, and that's our flagship program where we've done most of our securitization activity. That's an average 590, depending on when we're talking about, 590 to 600-type profile, and that's a platform that we've had a lot of success with. We've always retained the equity in those issuances. We did for the first time, and this was publicly-announced, we did for the first time sell the residual of an SDART transaction, but it was an aged transaction. If you think about when we -- as I mentioned before, when you originate a non-prime asset, or a pool of non-prime assets, you have a range of expected outcomes, and then as that pool ages, the range of expected outcomes gets more and more narrow, and more predictable. And so, what we saw is, we had an age pool that made sense for both the buyer to buy, and for us to sell and service, and we ended up doing that deal. But, when we originate those Santander Drive Auto Receivables Trust transactions, we retain the equity.

And then, you get to the DRIVE platform, and there's been a little bit of confusion in this setting -- I'm headed to our ABS East conference in Miami, right after this, and that group of investors was actually one of the reasons we re-launched DRIVE, because they wanted us to do this. If you look at -- our program up until 2007, it was the DRIVE program, and then we migrated the business up-market and had these other platforms that we formed. But, we stopped issuing in that space because we had a lot of the banks

coming to us and saying that they had conduit capacity, they wanted to issue -- they wanted us to issue those higher-yielding assets so they could invest in those assets, as well. And so, we did that with the bank conduits and it was a positive thing for us. The re-launch of the program was in response to demand, but also goes back to the diversity point on liquidity. So now, for those lower sub-prime assets, we've got the securitization program we've always had, but now we've got that in combination with the bank conduit capacity, and again, we think -- getting liquidity from many different sources is a good thing for the business.

And then finally, what I'll leave you with, is just really what I started with, and that's the strategy of the business. We feel like if we continue to do what we've done, and that's just leverage our core competencies, which at their very core are data and process, we feel like we have -- we can leverage data to make good risk decisions, and we feel like once we have an asset on our books, whether it's a managed asset or an owned asset, we have process in place to efficiently collect those assets and to do that in a way that's focused on compliance excellence. And you know, if we get data and process and compliance right, then through cycles we'll continue to be the company that performs, we'll continue to differentiate ourselves, versus our competitors. That's what we plan to continue doing.

Unidentified Participant: Thanks. If we can queue it up, I'd just like to quickly go through the audience response questions that we've got. So, if you could grab the response card in front of you, and register your response? Do we have it? All right. While they're working on that, I've got one question for you, and it's around earnings resiliency. I think you spent a long time talking through a lot of the mechanics of your provisioning, and I think in the past you've also talked about how your coverage tends to move, depending on where we are through the cycle, right? Where if we actually saw a recession, we might expect coverage to contract. So, my question is, can you give us some kind of sense of how your GAAP earnings resiliency might look? I mean, can we expect that as charge-offs go up, that because your coverage goes down, that you could maintain a fairly consistent level of GAAP earnings through at least a mild recession?

Jason Kulas: Yeah, you know, what I can say on that is what we've seen in prior times when that happens, and what we've seen is, we do tend to be fairly resilient. You know, our ability to continue to grow earnings depends on how severe the scenario is we're talking about, but what we've seen is that through those cycles, we've been able to maintain our profitability, because what we focus on, on the front end, is keeping additional margin in our deals that we do, on every individual transaction we book, every single loan we book. We're focused on making the right decision for that loan. We tend not to do it in bunches, we do it individually, and that's served us really well.

You can't get there only through price, though. We can maybe be marginally more expensive than the rest of the market, but if you overdo that, the market's too efficient, it won't allow you to overdo it, and your capture rates will go way down and you'll get adversely selected. And so, you can only do so much there.

So, what we have to focus on, is continuing to be efficient, because all the numbers go to the same place. So, if I have a lower expense base than the average competitor in the industry, it's as if I had a -- if I were able to get a higher price or a lower loss than the market, and that's why -- that's why we tend to be resilient is those operational points of

leverage that we have, and the good up-front decisions we think we make. Not because we can predict the future. We know how severe it's going to be. We just tend to prepare for things to be worse tomorrow, than they are today.

Unidentified Participant: Okay, so is it fair that if the economy weakens from here, we see some deterioration, that you may be able to sustain kind of the $3.00 a share earnings run rate that you're on right now?

Jason Kulas: Yeah, I would hope that we would see the resilience that we've seen in the past. I have no reason to believe that we wouldn't be resilient.

Unidentified Participant: Okay, great. If we could just quickly go through these questions, what do you view as the biggest catalyst for SC over the next year: 1, credit remains benign; 2, Chrysler penetration increases; 3, continued growth of fee income from service portfolio; 4, SCUSA passing CCAR; or 5, other? Okay, so by far the biggest response was SCUSA passing CCART following by credit remains benign. Next question, please?

Question two, what is the biggest risk to shares, here: increased regulatory scrutiny, 1; 2, deterioration in credit; 3, increased competition; 4, inability of SCUSA to pass CCAR; or 5, other? Okay, 43%, deterioration in credit. Next question, please? Next question?

All right, well with that, I think we're out of time anyway, so I guess we'll just cut it off there. But, please join me in thanking Jason for his time.

Jason Kulas: Thank you.