SANTANDER CONSUMER USA HOLDINGS, INC.

Moderator: Evan Black
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8:00 a.m. CT

Operator: Good morning and welcome to the Santander Consumer U.S. Holding Inc. Fourth Quarter 2014 Earnings Conference Call.

At this time all parties have been placed into a listen only mode. Following the presentation the floor will be open for questions. Please press star one to enter the q-and-a queue.

It is now my pleasure to introduce your host Evan Black from the SCU.S.A investor relations team. Evan, the floor is yours.

Evan Black: Good morning, everyone. Thank you for joining the call. On the call today we have Tom Dundon, Chairman and Chief Executive Officer, and Jason Kulas, President and Chief Financial Officer. Before we begin, as you are aware, certain statements today, such as projections for SCU.S.A's future performance, are forward-looking statements.

Actual results could be materially different from those projected. SCU.S.A has no obligation to update the information presented on the call. For further information concerning factors that could cause these results to differ, please refer to our public SEC filings. Also on today's call, our speakers will reference certain non-GAAP financial measures, which we will believe will provide useful information for investors.

A reconciliation of those measures to U.S. GAAP is included in the earnings release issued today, February 3, 2015. For those of you listening to the webcast, there are a few user controlled slides to review, as well as a 4Q

Company update on the Investor Relations Web site. Now, I'll turn the call over to Tom Dundon. Tom.

Tom Dundon: Thank you and good morning, everyone. Today, I'll discuss fourth quarter highlights and ongoing strategic initiatives for 2015. Afterwards, I will turn the discussions over to Jason for a detailed review of the quarter's results. We will then open the call for any questions you may have.

Fourth quarter results are highlighted by strong profitability. During the quarter, SCU.S.A earned net income of $247 million or $0.69 per diluted common share compared to net income attributable to SCU.S.A shareholders for the fourth quarter of 2013 of $114 million or $0.33 per diluted common share.

This represents net income growth of 117% from the prior year, driving a return on average equity of 29.1% and return on average assets of 3.1%. In the fourth quarter, total originations were $6.1 billion, including $565 million in facilitator originations. This compares to total originations of $7.4 billion the third quarter, including $604 million in facilitator originations.

Volumes are seasonably lower in the fourth quarter and we expect ebbs and flows in volume as we constantly seek to optimize originations. While fourth quarter originations decreased, total originations were $27.5 billion, up from $20.7 billion in 2013, representing growth of 33%. We also remain focused on our unsecured lending platform. Our unsecured portfolio balance as of year-end totaled $1.8 billion, up from $1.3 billion in the prior quarter.

Total originations of $562 million this quarter were approximately even between revolving and installment loans, as revolving loan originations increased versus the prior quarter consistent with seasonal retailer patterns. We are excited about the opportunities in the space as it aligns well with our core competencies and has attractive returns.

During the fourth quarter, used car prices recovered from declines earlier in the year as the Manheim Index finished the year 2% higher than its lowest point during 2014 and 1.8% higher than in December 2013. We also view the continued decrease in gas prices as a net positive for our consumers.

However, as we stated during our recent Investor Day, we view both used car recoveries and gas prices as secondary factors to our business.

While we monitor these trends closely, we are focused on operating our business, originating attractive assets to enhance long-term profitability, and optimizing the mix of retained assets versus assets sold in serviced for others. As we continue to properly execute our strategic objectives, we believe these secondary factors will have less of an impact on our business and its profitability.

In this market, we are finding that we are able to acquire loans and leases with attractive risk adjusted returns, an indication that the market is behaving rationally. I'd like to now turn the call over to Jason to review our financial results. Jason.

Jason Kulas: Thank you, Tom, and good morning, everyone. Let's go through the fourth quarter results in more detail. As Tom mentioned, net income for the fourth quarter was strong at $247 million. This was driven by net finance and other interest income growth of 13% to $1.1 billion, up from $953 million during the same period last year.

Of this, interest income from individually acquired retail installment contracts increased 14% to $1 billion, up from $894 million during the same period last year, due to significant growth in the portfolio. Interest income from unsecured consumer loans grew 36% to $96 million this quarter, up from $71 million during the same period last year. Net leased vehicle income increased to $60 million this quarter, up from $22 million in the fourth quarter of 2013, as we continue to originate more lease volume as Chrysler's preferred lender.

Moving to originations, as Tom mentioned, we originated $6.1 billion in loans and leases this quarter. During the quarter, we originated approximately $2.4 billion in Chrysler retail loans, $1.4 billion of which were prime loans and the remaining $1 billion non-prime. We also originated $1.3 billion in Chrysler leases, which includes the $565 million in leases originated for an affiliate. The Chrysler penetration rate at the end of the fourth quarter was 27%.

This is slightly below the prior quarter, but in line with the same period last year. We remain confident about the ongoing success of our agreement with Chrysler, as we strive to support Chrysler's sales growth by originating attractive assets consistent with our strategy. The provision for loan losses decreased to $560 million this quarter, down from $770 million last quarter, and down from $629 million in the fourth quarter of 2013.

The decrease from prior quarter was driven by positive provision model impacts, as the forward-looking model is no longer capturing two seasonally worse fourth quarters. The provision decrease was also impacted by a reduction in the allowance loan-loss month's coverage. The overall provision decrease was partially offset by seasonably higher charge-offs, as performance deteriorates in the fourth quarter in a pattern consistent with our normal seasonal expectations.

The net effect of these factors resulted in a decrease in the allowance to loans ratio to 11.5% this quarter from 12.1% last quarter. The decrease in month's coverage also resulted in a positive EPS impact of approximately $0.11; however, excluding the change in month's coverage, we are still ahead of our objective for the year. Turning to credit performance, SCU.S.A's quarterly net charge-off ratio increased to 8.6% from an 8.4% last quarter and from 8.1% during the same quarter last year.

The fourth quarter delinquency ratio increased to 4.5% from 4.1% last quarter and remained flat over the same quarter last year. The increase in both ratios quarter-over-quarter follows normal seasonal patterns. Moving onto expenses, during the fourth quarter, operating expenses increased 14% to $230 million from $203 million during the fourth quarter of 2013, as we continue to grow our asset base and increase headcount to dedicate additional resources to our regulatory and compliance teams.

Despite these increased costs, we continue to demonstrate industry-leading efficiency, as our efficiency ratio decreased slightly to 19.1% from 19.2% during the same period last year. This is further evidenced by our revenue versus expense growth for the full year of 2014 versus 2013. On a GAAP

basis, revenue growth lagged expense growth due to one-time IPO costs; however, excluding these costs, revenue growth outpaced expense growth.

It is important to note, as we've discussed in prior quarters, that as we continue to focus on growing the capital-light, higher ROE serviced for others platform, we will see an increase in the efficiency ratio. While the ratio will increase over time, we remain very positive about the serviced for others platform because it drives higher ROEs, despite lower margins due to limited credit exposure. We believe this is a business that will enhance our ability to create shareholder value.

Turning now to liquidity, SCU.S.A demonstrated consistent access to liquidity during the fourth quarter via execution of a $1 billion securitization from our core non-prime securitization platform, SDART, and also, $700 million of additional liquidity from private term amortizing facilities and an incremental $500 million in warehouse borrowing capacity.

During the quarter, asset sales totaled $1.1 billion, down from $2.4 billion last quarter, driven by the timing of asset sales and as previously mentioned, we continue to focus on balance sheet management and growth in our serviced for others portfolio going forward. The portfolio of loans and leases serviced for others totaled $10.3 billion at year-end, up from $4.5 billion at prior year-end, representing growth of 126%.

Investment gains for the quarter, which are primarily comprised of gains on sale, totaled $21 million, down from $32 million in the same quarter last year, as we did not execute a CCAR securitization in the fourth quarter of 2014. Servicing fee income totaled $20 million for the quarter, an increase from $4 million in fourth quarter last year. Before we begin Q&A, I would like to turn call back over to Tom. Tom?

Tom Dundon: Thanks. Looking back over our first year as a public company and consistent with historical performance, we were able to originate attractive assets and produce strong net income in a competitive environment with increasing regulatory scrutiny. As this regulatory environment becomes more challenging, we believe this will continue to brighten the line between us and

our competition, as we continue to leverage our compliance DNA and approximately 14 years of big bank ownership to further enhance processes related to risk management, governance, and internal control.

Core net income for the full year totaled $842 million, representing growth of 21% from the prior year. We also exceeded our financial objective for the year, as core EPS growth totaled 18%. Total 2014 originations were $27.5 billion, representing 33% growth from 2013. Consistent with our strategy to service more assets for others, we were able to generate $189 million of gain on sale and servicing income from this platform, representing growth of 186% versus the prior year.

Managed assets, including our serviced for others portfolio, totaled $41.2 billion at year-end, an increase of 37% from prior year. Looking ahead to 2015, we remain focused on delivering attractive risk-adjusted returns. We are excited about the continued opportunities across our franchise, including our core non-prime platform, Chrysler relationship, servicing business, and unsecured lending platform.

We are determined to make the best use of our capital, allocating resources toward the greatest ROA opportunities, while generating recurring fee income via our serviced for others platform. We are in active discussions with various entities that have expressed interest in our assets and based on this demand, we're optimistic regarding our serviced for others platform. With that, I'd like to open the call for questions. Operator?

Operator: We will now open up the call for questions. Please limit your question to one question and one follow up. Thank you.

Our first question comes from the line of Cheryl Pate with Morgan Stanley.

Cheryl Pate: Good morning. I was just wondering if we could maybe spend a couple of minutes on some more detail maybe on the 2015 outlook? Specifically, on the credit side, I'm wondering if you could give some thoughts around the impact of improving consumer financial balance sheet and lower gas prices and in terms of your credit expectations over the coming year, perhaps in addition to sort of outlook on recoveries and lower used car pricing as well?

Tom Dundon: Sure. I think consistent to what we've been saying is our opinion has been that the loss rates and the credit performance in 2014 started to stabilize and we've seen that trend continue. So it's a combination of what's happening in the economy and things we do in our underwriting. But everything we see now makes us feel like we're in a relatively stable part of the credit cycle.

Cheryl Pate: OK. Then maybe just a little bit on the competitive environment, I know we spoke at the Investor Day couple of months ago on ability to price for certain risk-adjusted margins and targeted ROAs, sort of on new vintage versus 2013 in particular. Can you speak to sort of the origination trends?

Tom Dundon: Sure. I think the market has adjusted pretty well in terms of getting price for the risk. As risk increases, sometimes the market lags behind, in terms of getting the correct risk-adjusted yields and it feels stable right now. The loans we're originating, we're happy with the price and the risks that we're taking.

Cheryl Pate: Great. Thanks you very much.

Operator: Your next question comes from the line of Mark DeVries with Barclays.

Mark DeVries: I had a follow-up question on credit. I was hoping to get a better sense of what's changed in the few months since Investor Day when I think, Jason, you indicated provision should remain elevated, reserves, if anything, would be headed higher. What really changed in the intervening periods that caused you to take provisions down a fair amount sequentially?

Jason Kulas: So what we do, obviously, every quarter, every month really, is we go through a process of looking at the underlying metrics and trends. From that point, whether it's any giving month end or quarter end, we feel like we're adequately provisioned for what we see going forward. When we went through that process for year end, we came to a conclusion that we could release some of the coverage we had and that was the determination at year end.

I think that's reflective of our confidence and kind of what we see as we look forward and the data supported the decrease in month’s coverage. So it's a

real analytical process for us that we go through and we were able to support us, so we released, again, a small amount of the coverage.

Mark DeVries: Was that process impacted at all by the fact that you didn't do a CCART deal during the day and had more presumably kind of prime unseasoned loans on your books?

Jason Kulas: No. That's a good question. When we look forward, we assume that we are going to do those transactions. The fact that we didn't do one in Q4 will impact things like the yield and those kinds of things, but as we look forward, we're looking forward to what we expect to be on the balance sheet.

Mark DeVries: OK, great. Then could you give us a little more color on, I think you guys have indicated in the past that the requirement to hit the penetration targets in the Chrysler agreement are contingent on them treating you like other captives.

Can you just give us a sense of what more you think they need to be doing to treat you as such? And some comfort that they're, despite the fact that we're below the target that they are, in fact, happy with kind of where you're at this point?

Tom Dundon: Sure. I don't know that they need to do anything. Their job is to sell as many cars as they can and I think they do a great job of that and we help where appropriate. The choice between how they decide to sell a car, whether it's an incentive APR offer or not, it's their choice. Depending on their choice relative to the market impacts our rates of closure.

So I think, right now, we're both happy and it's our job to provide them products that incentivize them to use them and if they do, we'll get higher penetration rates and if they don't, we'll do what we're doing now.

But I don't think – it's not a big issue for the Company, but it seems to come up a lot. There's not a huge margin in those incentivized rate deals anyway. So you're really helping facilitate a car sale and that's just a choice they make as they look at how to allocate their dollars.

Mark DeVries: OK, and they're still indicating to you that they are happy with the partnership?

Tom Dundon: Absolutely.

Mark DeVries: OK. Great, thanks.

Operator: Your next question comes from the line of J.R. Bizzell with Stephens Inc.

JR Bizzell: Congrats on the great quarter. I want to switch gears here to the consumer lending. I know it picked up pretty well in the fourth quarter. Wondering if you could kind of walk us through where you saw this, what you attribute this to and how you're thinking about this business as we move forward into 2015?

Tom Dundon: I think it's just following our plan that we laid out a couple of years ago internally and then obviously, we talked about it during the IPO process. There are a lot of synergies on the unsecured side. It works very similar to what we do, it's the most similar thing we can do to leverage what we've built here. Obviously, the market is getting a lot of attention right now and we think it's a way to generate quite a bit of value for our shareholders.

JR Bizzell: Great. On talking about that trend that you're seeing where the markets paying attention to it, from a competitive standpoint, are you seeing more opportunities or are you seeing that you're having to compete a little bit more for that paper?

Tom Dundon: We're probably not big enough in that space to feel the competitive tension the same way we would in the auto space where our market share is much higher. It seems to me that the risk-adjusted return in the unsecured installment space, given what we're seeing in the market could come under some pressure a little bit. But because financing that asset is less efficient than it is to finance an auto asset, that will leave quite a bit of margin in yield for the originators. On the revolving side, I think those margins are pretty stable and you can expect to see those maintained or increased.

JR Bizzell: OK. Last one from me, switching gears, and somebody's got to ask about it, but the regulatory and compliance, any update that you can provide there? I

know speaking with you all last quarter and then at the Analyst Day, it feels like you're taking it very seriously and as if you're already under regulatory scrutiny. Just kind of walk us through that process and how you're thinking about it.

Tom Dundon: Sure. So obviously, that was a big focus for us. Even though we've been owned by a bank for a long time, I think the regulatory expectations changed or our understanding of them – I wouldn't say the regulatory expectations changed, our understanding changed. What we've tried to do is incorporate those expectations into our risk management and governance processes and that's clearly a transition that costs you time and money, but ultimately, we find some areas where it has strengthened our risk management.

So we're going to continue along those lines and try to find a way to make this enhanced process work for our business. On the consumer protection side of the regulatory question, we moved our max part, the largest amount a dealer can mark up the interest rate to the consumer from 2% down to 1.75%. So I think we're one of the most restrictive in the industry on that piece and I think that's clearly a way to de-risk the business will when it comes to disparate impact.

So we'll probably continue to make decisions that make us more compliant with regulatory expectations de-risk and de-risk the business. I think there's a way to do it and still maintain sort of who you are. You can still make money and follow regulatory expectations, it's just a little harder and we're prepared to do it.

Jason Kulas: We also added, as we've discussed in prior calls, we've added headcount, like that commitment that Tom's talking about. So in 2015, we already had a good base of first, second, and third line of defense-type oversight and compliance people, but we added significantly to that and got close to 400 total headcount in all of those areas combined in 2014. We expect to see continued growth in those areas in 2015.

JR Bizzell: Thank you for the detail. Thanks, guys. I appreciate it.

Jason Kulas: Thanks.

Operator: Your next question comes from the line of John Hecht with Jefferies.

John Hecht: Good morning and thanks very much. The first question is, do you have handy the delinquencies in the auto segment? Just for my model, it's helpful.

Jason Kulas: Yes. So if you look at 31-plus delinquency, in fourth quarter was 4.5%. I'm sorry, that's 61-plus.

John Hecht: Yes.

Jason Kulas: 61-plus of 4.2% and that's fairly stable. Obviously, what we're looking at when we look at year-over-year trends, we're seeing a lot of stability there. We don't see big movements in those trends. So it's actually slightly better than it was same period last year. So nothing concerning in that. Obviously, if you're looking a longer-term delinquency, it tends to be assigned for losses being hired going forward and we're just not seeing any really negative trend Q4 over Q4.

John Hecht: OK. Second question pertains to yields, obviously, the competitive environment's been driving yields lower. But yet, looking at some of your securitization debt, it also looks like there's a little bit of a new car shift relative to where you were, say, a year ago. I'm wondering how much, at this point in time, do you attribute to competition versus mix shift and what would you expect in the coming quarters?

Jason Kulas: The growth in our originations in 2014 was driven by lease and prime, if you look at just the overall origination growth from 2013 versus 2014. So clearly, that's going to have a higher mix of new. While we are flowing a lot of that prime business to third parties, some of it ends up in the system and so we have seen an increase in the overall percentage of new cars. As we look at the margins going forward, we really see them being fairly stable depending on the mix of what's on the balance sheet. We're not projecting any significant changes in our net interest margin.

John Hecht: OK. I appreciate that. Thanks.

Jason Kulas: Sure.

Operator: Your next question comes from the line of Moshe Orenbuch with Credit Suisse.

Moshe Orenbuch: Great. Thanks. I was just wondering if you could maybe talk a little bit about what you would expect – at what rate you'd expect kind of the balance sheet to grow in 2015? I know we've talked about it kind of being relatively flat, but you've had some growth and you'd probably sell some of the prime staff in 2015, but could you talk a little bit about that?

Jason Kulas: The focus for us continues to be what we've been saying, which is, the balance sheet itself, we don't expect a lot of growth. Any growth in the balance sheet would be marginal, because we're really focused on the benefits of this serviced for others business. We have a platform that's an attractive platform for third parties, and a lot of different types of third parties, to buy assets and have us service those assets for them.

We've got an originations engine that will allow us to continue to drive growth in those originations. So that's where we'll see growth is in the managed assets. That's kind of a developing story right now, but we expect to see growth in those managed assets over what we saw in 2014.

Moshe Orenbuch: Does that mean that you would expect to announce deals in which you'd just be kind of servicing as opposed to actually originating the assets?

Tom Dundon: Yes. I think we'll always make a good decision. We have an asset. We can originally assets, we know that. When we originate an asset, we have a choice to hold it or sell it and it depends on the price. Obviously we have to analyze each transaction, but we are putting a lot of time and energy to being more sophisticated in determining what we want to hold on our balance sheet and what we want to sell and serviced for others and building out that marketplace is a big focus of ours.

Because we have prime loan, prime lease, and sub-prime loan in pretty big volume in each of those areas, it takes a fair bit of work to make the right decision and that decision will change based on market conditions. But we're

OK holding assets, it's not whether we want to hold an asset or don't want to hold an asset, we just want to make the best decision based on different constraints and we will continue to drive the efficiency of being able to serviced for others.

Moshe Orenbuch: Great. Thank you.

Operator: Your next question comes from the line of David Scharf with JMP Securities.

David Scharf: Hi, good morning. Just following up a little more on the credit outlook this year, I know you mentioned the impact of gas prices as being a secondary factor and arguably not sustainable. Are any of the payment and collection patterns you're experiencing now potentially from that, impacting you know the near-term outlook on losses and the change in provisioning methodology?

Jason Kulas: Clearly, any time the customer has more money to spend it should lead to better performance. Just like in the first quarter, when they get tax returns, we get better performance. They're models and therefore, when data goes into a model, you get a result that is rational. Having said that, I don't think, as we look at what we're originating today, we are counting on some improvement because of gas prices.

So the back book is going to be a loan you've already originated, that price is set, lower gas prices will probably give you a little better performance on that loan, but it would take a long time and a lot of performance to impact or adjust our pricing on the next loan we do. So these gas prices won't impact what we think of margins on the next loan we're going to book.

David Scharf: Got it. That partially answers a follow-up question on the same topic. We've been hearing from a number of lenders about little bit of competitive easing, but is there any sense that some lenders out there are looking at maybe the near-term improvement in payment patterns from things like gas prices, maybe either extending loan terms or decreasing down payments or would you generally say that the competitive environment, in terms of loan terms, is relatively stable?

Jason Kulas: I'm not sure easing down payments and extending terms – well I am sure that those are not the major drivers of risk. The customer's credit, the advance, the payment to income or loan to income ratios, and the margin, those are the big drivers. The drivers you mentioned are more secondary. But if you take all the factors that affect loan performance and size of originations, I would hope that the rational competitors wouldn't see a couple of months of cheap gas and change their outlook on how credit performs.

They'll get a benefit in their back book, but we haven't seen it yet. Once again, we think the world realized the losses were a little higher the last couple of years and adjusted and now it feels reasonably stable, the risk-adjusted margin on car loans.

David Scharf: Got it, very helpful. Thank you.

Jason Kulas: Sure.

Operator: The next question comes from the line of Charles Navin with Wells Fargo.

Charles Navin: Hi, good morning. When we think about the decrease in month's coverage into 2015, should we think about that as an ongoing migration, all things equal? Or are we had at a level that's sustainable heading into next year in terms of the methodology?

Jason Kulas: Yes, I think the way we have to look at that is that where we are now reflects our current view and our current outlook and we'll reassess that every quarter. When we look really long term, it's just really difficult to know because, again, it's an analytical process. There's very little judgment involved in it, as far as we're looking at models and we have inputs and judgment inputs in the models, but the models sort of dictate how we feel based on what those inputs are. I'd say where we sit today, we feel like it's very appropriate and we'll have to reassess that in each successive quarter.

Charles Navin: OK. Switching gears a bit, could you comment on what you're seeing in the used car market and your outlook for residual values in 2015?

Tom Dundon: Used car prices are – we don't do a lot of predicting the future as we keep talking about. Obviously, right now, they seem to be stable. In ALG that we use to forecast our lease residuals, we spent a lot of time, our modeling people spent a lot of time with their group and we're quite impressed with their level of detail and their sophistication around capturing or predicting the used car prices.

I think it's vastly improved from years ago, which probably speaks to just the way the world has evolved in terms of the world's ability and the talent available to analyze data. So I think all we can say is, we're comfortable that we're using the best tools possible to predict those prices, but I don't think we have a – we don't have a take difference in the industry as far as the future.

Charles Navin: OK, great. I appreciate the color. Thank you.

Operator: Your next question comes from the line of Chris Donat with Sandler O'Neill.

Chris Donat: Hi, good morning. Jason, I had one question on expenses. As we think about where you are with some of the staff you've had to add for some regulatory reasons and potential additions later and some of the comments you've made about the servicing for others business, should we think of the efficiency ratio as likely to continue on an upward trajectory here or should we think about your expenses not so much on an efficiency ratio, but just on kind of an absolute dollar value likely to rise? I just want to kind of get some sense on how to think about 2015.

Jason Kulas: Yes. First of all, I think the percentage increase in those regulatory-related costs is going to be pretty small because we already have such a big base, it doesn't really impact things. So, I'll answer the question in two different ways. If you look at efficiency ratio, yes. If just look at expenses versus revenue, as the servicing business grows, we would expect to see some expansion in that efficiency ratio.

But we actually think, and we're going to start reporting this ratio, that probably a more effective way to look at that and the way we're operating and how efficiently we're operating is looking at expenses over managed assets

and if you look at that number, it's been steadily declining and we expect that trend to continue because we are seeing real efficiency as we grow.

Chris Donat: OK, and then, but you still have some expectations of – I think you mentioned 400 people added for regulatory issues, you're still adding headcount there, right? Or are we toward the end of that process or midway through?

Jason Kulas: Yes, we'll continue to marginally add headcount there. But again, I think the comment there is if you look at the expenses related to any incremental additions to those types of first, second, third line of defense positions, as a percentage of the whole, it almost doesn't measure.

Chris Donat: OK. Got it. Thanks very much.

Jason Kulas: Sure. Your next question comes from the line of Eric Beardsley with Goldman Sachs.

Eric Beardsley: Hi, thank you. Just wanted to confirm, where do you stand now on month's coverage?

Jason Kulas: We dropped about a half month from where we were before.

Eric Beardsley: OK. So, it's going from 17 to 16.5, then?

Jason Kulas: Yes, directionally, that's the movement.

Eric Beardsley: OK. Just back to the questions around asset growth, I guess you've been saying for a while that you don't plan to grow the balance sheet, but we're sitting here and you've grown total assets by somewhere around 12% since the end of the first quarter. How do we put that in context with that commentary and is it possible you could grow assets another 10% in 2015?

Jason Kulas: Some of that's timing, so I think you'll see us sell some of the additional assets we had on the books in the fourth quarter in early 2015 and then some of that goes back to what Tom said earlier. We have to make the right decision with every single loan every single day and where we see efficient places for us to put higher tier on other balance sheets with other buyers and retain servicing,

we'll continue to do that. It's become a real strategy for us because we think that serviced for others business is a real value creator.

Eric Beardsley: Got it. In your CCART submission this year, I guess at the parent level, would you be able to discuss any capital returns that you might have requested in that?

Jason Kulas: I'm sorry, what was the question, again?

Eric Beardsley: Just wondering if you had planned to request any capital dividend buybacks in 2015?

Jason Kulas: Sure. Yes, so obviously, all that's tied with our parent company's submission of CCAR and while we can't really comment on that because it's been submitted and we'll wait to hear how that process went, we would certainly hope that we would be in a position over time to be able to begin distributions again. We would consider that to be part of our plan, subject to those approvals. So, we really won't know until we know.

Eric Beardsley: Got it. OK. Thank you.

Jason Kulas: Sure.

Operator: Your next question comes from the line of Vincent Caintic with Macquarie.

Vincent Caintic: Hi, good morning, guys. Just a quick question, on the Investor Day, you made a comment about 2015 EPS growth, that it would be lower than in 2014. With 2014 EPS growth above your 10% guidance at 18% year-over-year, would you be able to give us some updated thoughts on what you're expecting for 2015 EPS?

Jason Kulas: We haven't done that, at this point. I think that's probably a developing story, as we talked about on some of the other metrics earlier. We do think that with the platform that we have and the opportunities we have in the market to focus on the auto business, look for opportunities in unsecured and grow the serviced for others business that we're going to be able to continue to add to

our earnings and create shareholder value, but we have not defined a number at this point.

Vincent Caintic: OK, got it. Just taking a step back, for the net charge-offs, would you be able to give us any guidance for that? In particular, the unsecured portfolio charge-offs were 18%, which was better than last quarter at 20% and I think in the past, you had a mid-20% guidance range, just wondering if you have any thoughts on that, too?

Jason Kulas: I think the key comment we can make about net charge-offs is the fact that we're seeing performance in line with our expectations. If you recall, when we talked about 2013 and we saw the performance coming in and it was above our expectations and then we talked about later in the year, about how we had been pricing 2014 with a set of expectations that benefited from that performance, the knowledge of that performance in 2013 and the update to that story and we also said that the early returns on that were positive, meaning that it was coming in at or better than what we'd expected and that continues to be the case, as we see more aging in the 2014 vintages.

I think that's a real positive for net charge-offs and the outlook going forward. The rest of the story is going to depend on mix. So, we'll go through a period, for example, where maybe we're originating more up market installment assets on the unsecured business than we are maybe down market revolving assets, but that could also shift from time to time. So, I think the key message we want to send on that is provisions are tied to yield and provisions in yield are tied to returns.

So we feel like we are pricing for wherever we are in that spectrum, we're pricing appropriately and getting returns for the risk that we're taking. So the level of provisions, or the level of the yields is kind of a result of where we are at any given time and what's on the balance sheet.

Vincent Caintic: Got it. Thanks very much.

Operator: Your next question comes line of David Ho with Deutsche Bank.

David Ho: Good morning. Just a quick follow-up on the servicing fees, how do you plan to translate more of the asset growth from the serviced for other portfolio into servicing fees? As a percentage, it seems to be trending down a bit. Does that mean that you will maybe do a little bit more non-prime? Maybe does that have to do with some of the active discussions that you've had with others that are interested in the portfolio?

Jason Kulas: The returns we're seeing so far on the serviced for others business are really in line with what we expected. Clearly, you're right. If the mix changed and we were selling more non-prime assets, the fees would be different. The fee structure is different on those assets. But from what we're seeing so far relative to what we have, we feel pretty good about the returns and would expect those levels to continue or even if they fell slightly back, we'd be pretty pleased with the returns.

David Ho: OK. How does the outlook on credit normalization impact the returns there?

Jason Kulas: What I would say to that is, obviously by mix, obviously the higher credit assets are going to come with lower all-in returns. What we see is, obviously, as you go through a period where there's stress in performance, you may have an increase in servicing fee income, but you're probably going to see an offset in the price you get for the assets because the higher loss profile will be reflected in the price.

So not to say that's a one-for-one, but we don't see – for example, we don't see a big gain if you see a real detriment in servicing because you're getting more fees. But we think the all-in performance is still in that range that we've talked about longer term, that kind of 50 basis point range.

David Ho: OK, that's helpful. Just one more, on the lease side of the business, what's your outlook on lease yields? What drove the year-over-year decrease in volume? Is that something that we can expect going forward?

Jason Kulas: Yes, we think there's an opportunity for volumes in lease to go up. We really feel like the outlook, as we look forward into 2015, is positive for that. As far as yields, we don't see any big movement in that. We think the market is

pretty stable there and wouldn't expect any big changes. The profiled lease is also not going to change. It's all pretty prime paper.

David Ho: Got it, that's helpful. Thank you.

Jason Kulas: Sure.

Operator: The next question comes from a line of Rick Shane of JPMorgan.

Rick Shane: Thanks, guys, for taking my question this morning. One of the nuances here is that the accounting is a bit of an approximation along the life of the loan. You have an asset that actually has very finite and very definable profitability when it reaches the end of its life, but you're approximating that along the way. When we think about the 2013 vintage in particular, you mentioned, or you guys at Investor Day, had said that the ROA on that was going to be below your historical hurdle rates.

I'm wondering, the way I think of it is that ROAs are artificially low in the first part of the life of the loans because of the accounting approximations and then over time, actually in the back half, exceed the lifetime average or the overall average for that loan. Where are we at this point in that seasoning process for the 2013 loans? Is it realistic to think that what they're going to show in 2015 is actually above the overall hurdle rate for that pool?

Tom Dundon: That is probably not the way we would look at it. The 2013 vintage has aged enough that the provision coverage probably equates to the majority of remaining cash flows and I think we're pretty good at estimating these things. So I would expect that vintage to perform with the expectations that we sort of have baked in right now.

I think your comment is right in the sense that, if you have loan big asset on the balance sheet growth then that provision will hurt your day one the look of your overall portfolio ROA. So when a finance company grows, you take provision, it looks like your ROA, at that point in time, is lower. But I think we're always taking the position when we make a statement, like we did on the 2013s, about the lifetime return on that portfolio.

Rick Shane: Got it. So it realistically, then, it's the 2014 vintage that's sort of in that seasoning period where it's probably going to inflect upwards?

Jason Kulas: Yes, that's exactly right. That's why I think we cautiously said 2014 was looking good at the Investor Day in November and now we can say – continue, obviously, to speak cautiously about it, but continue to say as we see the aging, it continues to be the case that it's within our expectations. The reason why that's such a key comment is that obviously we're pricing for target returns and the performance so far is telling us we're going to get that.

Rick Shane: Got it, great. Thank you guys.

Jason Kulas: Sure.

Operator: Your final question comes from the line of Don Fandetti with Citigroup.

Don Fandetti: Jason, I was wondering if you could talk a little bit about, I think you have a partnership with Lending Club and I just wanted to get a sense on how that might be shaping up? Are you working on additional partnerships to grow your consumer unsecured business?

Jason Kulas: Yes. We're very focused on that and are actively involved in discussions with other companies. I'll say just generally, our relationship with Lending Club is a good one. We have other relationships as well. Our focus on the unsecured business is that it'll continue to come from more than just Lending Club or just Bluestem or any other parties that we're currently dealing with. Our outlook would be to see continued diversification there.

Don Fandetti: So you're still sort of hitting the minimums that you have, let's say, with the Lending Club? Are those still in place?

Jason Kulas: The relationship with Lending Club continues to be a strong one. I think as we move forward, when we speak of diversification, that's probably diversification through growth in other areas.

Don Fandetti: OK, all right. Thanks.

Evan Black: All right. Thanks, everyone, for joining the call today and for your interest in SCU.S.A. Our team will be available for follow-up questions. We look forward to speaking with you again in the next quarter. Thanks.

Operator: This does conclude today's conference call. You may now disconnect.

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