Santander Consumer USA Holdings Inc.
Form 10-Q/A
October 27, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
Amendment No. 1
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2015
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number: 001-36270
SANTANDER CONSUMER USA HOLDINGS INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	32-0414408
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1601 Elm Street, Suite 800, Dallas, Texas	75201
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code (214) 634-1110
Not Applicable
(Former name, former address, and formal fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation ST (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ¨ No ý
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 23, 2015
Common Stock ($0.01 par value)	357,902,036 shares

EXPLANATORY NOTE

As used in this Amendment No. 1 on Form 10-Q/A for the quarter ended September 30, 2015 (the “Form 10-Q/A”), the terms “Company,” “our,” “us” or “we” refer to Santander Consumer USA Holdings Inc., a Delaware Corporation.

This Form 10-Q/A amends the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, as originally filed with the Securities and Exchange Commission (the “SEC”) on October 29, 2015 (the “Original Filing”). This Form 10-Q/A is being filed to restate our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 and to make related corrections to certain disclosures in the Original Filing. The restatement of our financial statements in this Form 10-Q/A reflects the correction of errors primarily related to (i) error in our methodology for estimating credit loss allowance for individually acquired retail installment contracts held for investment, (ii) error related to the lack of consideration of net discount when estimating the allowance for credit losses for the non-TDR portfolio of individually acquired retail installment contracts held for investment, (iii) error in our methodology for accreting / amortizing dealer discounts, subvention payments from manufacturers, and capitalized origination costs on individually acquired retail installment contracts held for investment, (iv) error in computing the present value of expected future cash flows whereby the TDRs’ weighted-average original contractual interest rate was utilized rather than the TDRs’ weighted average original effective interest rate as required by U.S. GAAP and (v) error in our recognition of certain executive severance-related and stock compensation expenses and liabilities which should not have been recorded as all applicable regulatory approvals have not been obtained. The restatement also includes the correction of errors related to the income tax effects of the above errors as well as the correction of additional items for the three and nine months ended September 30, 2015 and 2014. Further explanation regarding the restatement is set forth in Note 2 to the unaudited condensed consolidated financial statements included in this Form 10-Q/A.

The following sections in the Original Filing have been corrected in this Form 10-Q/A to reflect this restatement:

- Part I - Item I: Financial Information (Unaudited)
- Part I - Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I - Item 4: Controls and Procedures
- Part II - Item 1A: Risk Factors
- Part II - Item 6: Exhibits

Our principal executive officer and principal financial officer have also provided new certifications as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications are included in this Form 10-Q/A as Exhibits 31.1, 31.2, 32.1 and 32.2.

For the convenience of the reader, this Form 10-Q/A sets forth the information in the Original Filing in its entirety, as such information is modified and superseded where necessary to reflect the restatement. Except as provided above, this Amendment does not reflect events occurring after the filing of the Original Filing and does not amend or otherwise update any information in the Original Filing.

INDEX

Unless otherwise specified or the context otherwise requires, the use herein of the terms “ we,” “our,” “us,” “SC,” and the “Company” refer to Santander Consumer USA Holdings Inc. and its consolidated subsidiaries.

Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q/A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipates,” “believes,” “can,” “could,” “may,” “predicts,” “potential,” “should,” “will,” “estimate,” “plans,” “projects,” “continuing,” “ongoing,” “expects,” “ similar words or phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements are not guarantees of future performance and involve risks and uncertainties which are subject to change based on various important factors, some of which are beyond our control. For more information regarding these risks and uncertainties as well as certain additional risks that we face, refer to the Risk Factors detailed in Item 1A of Part I of our Annual Report for the year ended December 31, 2014, as well as factors more fully described in Part I, Item 2, “Management's Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report, including the exhibits hereto, and subsequent reports and registration statements filed from time to time with the SEC. Among the factors that could cause our financial performance to differ materially from that suggested by the forward-looking statements are:

- we operate in a highly regulated industry and continually changing federal, state, and local laws and regulations could materially adversely affect our business;
- adverse economic conditions in the United States and worldwide may negatively impact our results;
- our business could suffer if our access to funding is reduced;
- we face significant risks implementing our growth strategy, some of which are outside our control;
- we may incur unexpected costs and delays in connection with exiting our personal lending business;
- our agreement with Chrysler may not result in currently anticipated levels of growth and is subject to certain performance conditions that could result in termination of the agreement;
- our business could suffer if we are unsuccessful in developing and maintaining relationships with automobile dealerships;
- our financial condition, liquidity, and results of operations depend on the credit performance of our loans;
- loss of our key management or other personnel, or an inability to attract such management and personnel, could negatively impact our business;
- we are subject to certain bank regulations, including oversight by the OCC, the CFPB, the European Central Bank, and the Federal Reserve, which oversight and regulation may limit certain of our activities, including the timing and amount of dividends and other limitations on our business; and
- future changes in our relationship with Santander could adversely affect our operations.

If one or more of the factors affecting our forward-looking information and statements proves incorrect, its actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements. Therefore, we caution not to place undue reliance on any forward-looking information or statements. The effect of these factors is difficult to predict. Factors other than these also could adversely affect our results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties. New factors emerge from time to time, and management cannot assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statements only speak as of the date of this document, and we undertake no obligation to update any forward-looking information or statements, whether written or oral, to reflect any change, except as required by law. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Glossary

The following is a list of abbreviations, acronyms, and commonly used terms used in this Quarterly Report on Form 10-Q/A.

ABS	Asset-backed securities
Advance Rate	The maximum percentage of unpaid principal balance that a lender is willing to lend.
ALG	Automotive Lease Guide
APR	Annual Percentage Rate
ASU	Accounting Standards Update

Bluestem	Bluestem Brands, Inc., an online retailer for whose customers SC provides financing
Board	SC’s Board of Directors
Capmark	Capmark Financial Group Inc., an investment company
CBP	Citizens Bank of Pennsylvania
CCAR	Comprehensive Capital Analysis and Review
CCART	Chrysler Capital Auto Receivables Trust, a securitization platform
Centerbridge	Centerbridge Partners, L.P., a private equity firm
CEO	Chief Executive Officer
CFPB	Consumer Financial Protection Bureau
CFO	Chief Financial Officer
Chrysler	Fiat Chrysler Automobiles US LLC
Chrysler Agreement	Ten-year private-label financing agreement with Chrysler
Clean-up Call	The early redemption of a debt instrument by the issuer, generally when the underlying portfolio has amortized to 10% of its original balance
Credit Enhancement	A method such as overcollateralization, insurance, or a third-party guarantee, whereby a borrower reduces default risk
Dealer Loan	A floorplan line of credit, real estate loan, working capital loan, or other credit extended to an automobile dealer
Dodd-Frank Act	Comprehensive financial regulatory reform legislation enacted by the U.S. Congress on July 21, 2010
DOJ	U.S. Department of Justice
DRIVE	Drive Auto Receivables Trust, a securitization platform
ECOA	Equal Credit Opportunity Act
ERM	Enterprise Risk Management
Employment Agreement	The amended and restated employment agreement, executed as of December 31, 2011, by and among SC, Banco Santander, S.A. and Thomas G. Dundon
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FICO®	A common credit score created by Fair Isaac Corporation that is used on the credit reports that lenders use to assess an applicant’s credit risk. FICO® is computed using mathematical models that take into account five factors: payment history, current level of indebtedness, types of credit used, length of credit history, and new credit
FIRREA	Financial Institutions Reform, Recovery and Enforcement Act of 1989
Floorplan Line of Credit	A revolving line of credit that finances inventory until sold
FRB	Federal Reserve Bank of Boston
FTC	Federal Trade Commission
IPO	SC's Initial Public Offering
ISDA	International Swaps and Derivative Association
LFS	Loss Forecasting Score
MEP	SC's 2011 Management Equity Plan
MSA	Master Service Agreement
Nonaccretable Difference	The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows of a portfolio acquired with deteriorated credit quality
NPWMD	Non-Proliferation of Weapons of Mass Destruction
OCC	Office of the Comptroller of the Currency
Original Filing	Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, as originally filed with the SEC on October 29, 2015
Overcollateralization	

	A credit enhancement method whereby more collateral is posted than is required to obtain financing
OEM	Original equipment manufacturer

Private-label	Financing branded in the name of the product manufacturer rather than in the name of the finance provider
RC	Risk Committee of the Board
Remarketing	The controlled disposal of leased vehicles that have been reached the end of their lease term or of financed vehicles obtained through repossession
Residual Value	The future value of a leased asset at the end of its lease term
RSU	Restricted stock unit
Santander	Banco Santander, S.A.
SBNA	Santander Bank, N.A., a wholly-owned subsidiary of SHUSA. Formerly Sovereign Bank, N.A.
SC	Santander Consumer USA Holdings Inc., a Delaware corporation, and its consolidated subsidiaries
SCRA	Servicemembers Civil Relief Act
SDART	Santander Drive Auto Receivables Trust, a securitization platform
SEC	U.S. Securities and Exchange Commission
Separation Agreement	The Separation Agreement dated July 2, 2015 entered into by Thomas G. Dundon with SC, DDFS LLC, SHUSA, Santander Consumer USA Inc. (the wholly owned subsidiary of SC) and Banco Santander, S.A.
SHUSA	Santander Holdings USA, Inc., a wholly-owned subsidiary of Santander and the majority owner of SC
SUBI	Special unit of beneficial interest (in a titling trust used to finance leases)
Subvention	Reimbursement of the finance provider by a manufacturer for the difference between a market loan or lease rate and the below-market rate given to a customer
TDR	Troubled Debt Restructuring
Trusts	Special purpose financing trusts utilized in SC's financing transactions
Turn-down	A program where by a lender has the opportunity to review a credit application for approval only after the primary lender or lenders have declined the application
U.S. GAAP	U.S. Generally Accepted Accounting Principles
VIE	Variable Interest Entity
Warehouse Facility	A revolving line of credit generally used to fund finance receivable originations

PART I: FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements
SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (Dollars in thousands, except per share amounts)

Assets	September 30, 2015 (As Restated-Note 2)	December 31, 2014 (As Restated-Note 2)
Cash and cash equivalents	$ 104,552	$ 33,157
Finance receivables held for sale, net	2,709,643	46,586
Finance receivables held for investment, net	23,478,376	23,911,649
Restricted cash - $37,917 and $44,805 held for affiliates, respectively	2,217,879	1,920,857
Accrued interest receivable	394,692	364,676
Leased vehicles, net	6,062,106	4,848,593
Furniture and equipment, net of accumulated depreciation of $56,219 and $45,768, respectively	50,642	41,218
Federal, state and other income taxes receivable	256,894	498,300
Related party taxes receivable	—	467
Deferred tax asset	—	24,571
Goodwill	74,056	74,056
Intangible assets, net of amortization of $26,857 and $21,990, respectively	36,910	36,882
Due from affiliates	98,200	141,551
Other assets	551,675	426,188
Total assets	$ 36,035,625	$ 32,368,751
Liabilities and Equity		
Liabilities:		
Notes payable — credit facilities	$ 6,654,184	$ 6,402,327
Notes payable — secured structured financings	20,027,111	17,718,974
Notes payable — related party	3,525,000	3,690,000
Accrued interest payable	19,855	17,432
Accounts payable and accrued expenses	378,552	324,630
Federal, state and other income taxes payable	417	735
Deferred tax liabilities, net	706,280	463,127
Related party taxes payable	396	—
Due to affiliates	79,727	88,425
Other liabilities	192,119	136,885
Total liabilities	31,583,641	28,842,535
Commitments and contingencies (Notes 6 and 11)		
Equity:		
Common stock, $0.01 par value — 1,100,000,000 shares authorized; 357,954,177 and 349,029,766 shares issued and 357,902,036 and 348,977,625 shares outstanding, respectively	3,579	3,490
Additional paid-in capital	1,670,395	1,560,519
Accumulated other comprehensive income (loss), net	(24,239)	3,553
Retained earnings	2,802,249	1,958,654
Total stockholders' equity	4,451,984	3,526,216
Total liabilities and equity	$ 36,035,625	$ 32,368,751

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (Dollars in thousands, except per share amounts)

The assets of consolidated VIEs, presented based upon the legal transfer of the underlying assets in order to reflect legal ownership, that can
be used only to settle obligations of the consolidated VIE and the liabilities of these entities for which creditors (or beneficial interest holders)
do not have recourse to our general credit were as follows:

Assets	September 30, 2015 (As Restated-Note 2)	December 31, 2014 (As Restated-Note 2)
Restricted cash	$ 1,756,312	$ 1,626,257
Finance receivables held for sale	1,593,587	18,712
Finance receivables held for investment, net	22,602,839	21,992,901
Leased vehicles, net	6,062,106	4,848,593
Various other assets	587,590	555,509
Total assets	$ 32,602,434	$ 29,041,972
Liabilities		
Notes payable	$ 30,440,762	$ 27,822,174
Various other liabilities	83,815	55,795
Total liabilities	$ 30,524,577	$ 27,877,969

Certain amounts shown above are greater than the amounts shown in the corresponding line items in the accompanying condensed consolidated balance sheets due to intercompany eliminations between the VIEs and other entities consolidated by the Company. For example, for most of its securitizations, the Company retains one or more of the lowest tranches of bonds. Rather than showing investment in bonds as an asset and the associated debt as a liability, these amounts are eliminated in consolidation as required by U.S. GAAP.

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited) (Dollars in thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
Interest on finance receivables and loans	$1,285,085	$1,141,767	$3,761,757	$3,368,230
Leased vehicle income	267,211	181,713	742,684	439,330
Other finance and interest income	9,334	2,512	23,413	3,636
Total finance and other interest income	1,561,630	1,325,992	4,527,854	3,811,196
Interest expense — Including $49,795, $30,877, $136,261, and $101,956 to affiliates, respectively	171,420	129,135	470,898	381,895
Leased vehicle expense	174,545	126,480	518,165	321,306
Net finance and other interest income	1,215,665	1,070,377	3,538,791	3,107,995
Provision for credit losses	723,922	721,741	1,935,148	1,829,449
Net finance and other interest income after provision for credit losses	491,743	348,636	1,603,643	1,278,546
Profit sharing	11,818	10,556	46,835	66,773
Net finance and other interest income after provision for credit losses and profit sharing	479,925	338,080	1,556,808	1,211,773
Investment gains, net — Including ($5,654), $347, ($5,654) and $5,923 from affiliates, respectively	22,684	31,162	133,998	87,478
Servicing fee income — Including $4,650, $5,453, $13,665, and $17,029 from affiliates, respectively	35,910	20,547	88,756	53,051
Fees, commissions, and other — Including $225, $6,318, $9,106, and $17,390 to affiliates, respectively	95,742	91,133	296,476	278,658
Total other income	154,336	142,842	519,230	419,187
Salary and benefits expense	114,070	88,940	325,583	384,544
Repossession expense	60,770	50,738	175,066	144,817
Other operating costs — Including $2,199, $151, $7,877, and $748 from affiliates, respectively	86,447	63,519	263,978	206,668
Total operating expenses	261,287	203,197	764,627	736,029
Income before income taxes	372,974	277,725	1,311,411	894,931
Income tax expense	136,539	98,562	467,816	322,367
Net income	$236,435	$179,163	$843,595	$572,564
Net income	$236,435	$179,163	$843,595	$572,564
Other comprehensive income (loss):				
Change in unrealized gains (losses) on cash flow hedges, net of tax of $11,066, $5,044, $16,626, and $4,324	(18,513)	8,685	(27,792)	7,409
Comprehensive income	$217,922	$187,848	$815,803	$579,973
Net income per common share (basic)	$0.66	$0.51	$2.38	$1.64
Net income per common share (diluted)	$0.66	$0.50	$2.38	$1.61
Dividends declared per common share	$—	$—	$—	$0.15
Weighted average common shares (basic)	357,846,564	348,955,505	354,150,973	348,630,740

Weighted average common shares (diluted)	359,108,197	355,921,570	354,735,772	355,809,576

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited) (In thousands)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Total Stockholders’
	Shares	Amount	Capital	Income (Loss)	Earnings	Equity
Balance — January 1, 2014, as restated (Note 2)	346,760	$ 3,468	$ 1,409,463	$ (2,853)	$ 1,285,686	$ 2,695,764
Stock issued in connection with employee incentive compensation plans	2,221	22	18,674	—	—	18,696
Stock-based compensation expense	—	—	123,276	—	—	123,276
Net income, as restated (Note 2)	—	—	—	—	572,564	572,564
Other comprehensive income, net of taxes	—	—	—	7,409	—	7,409
Dividends declared per common share of $0.15	—	—	—	—	(52,316)	(52,316)
Balance — September 30, 2014, as restated (Note 2)	348,981	$ 3,490	$ 1,551,413	$ 4,556	$ 1,805,934	$ 3,365,393
Balance — January 1, 2015, as restated (Note 2)	348,978	$ 3,490	$ 1,560,519	$ 3,553	$ 1,958,654	$ 3,526,216
Stock issued in connection with employee incentive compensation plans, as restated (Note 2)	8,924	89	99,966	—	—	100,055
Stock-based compensation expense, as restated (Note 2)	—	—	11,047	—	—	11,047
Tax sharing with affiliate	—	—	(1,137)	—	—	(1,137)
Net income, as restated (Note 2)	—	—	—	—	843,595	843,595
Other comprehensive loss, net of taxes	—	—	—	(27,792)	—	(27,792)
Balance — September 30, 2015, as restated (Note 2)	357,902	$ 3,579	$ 1,670,395	$ (24,239)	$ 2,802,249	$ 4,451,984

See notes to unaudited condensed consolidated financial statements.

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (Dollars in thousands)

	For the Nine Months Ended September 30,	
	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
Cash flows from operating activities:		
Net income	$843,595	$572,564
Adjustments to reconcile net income to net cash provided by operating activities		
Derivative mark to market	9,519	(11,421)
Provision for credit losses	1,935,148	1,829,449
Depreciation and amortization	589,172	378,665
Accretion of discount	(250,057)	(329,168)
Originations and purchases of receivables held for sale	(3,810,662)	(3,248,055)
Proceeds from sales of and collections on receivables held for sale	3,019,253	3,264,855
Investment gains, net	(133,998)	(87,478)
Stock-based compensation	11,047	123,276
Deferred tax expense	250,021	80,469
Changes in assets and liabilities:		
Accrued interest receivable	(59,538)	(83,597)
Accounts receivable	(8,832)	(10,328)
Federal income tax and other taxes	260,512	345,953
Other assets	(21,182)	(44,394)
Accrued interest payable	1,515	3,403
Other liabilities	41,930	30,995
Due to/from affiliates	6,793	(36,526)
Net cash provided by operating activities	2,684,236	2,778,662
Cash flows from investing activities:		
Originations of and disbursements on finance receivables held for investment	(13,695,695)	(12,504,602)
Collections on finance receivables held for investment	7,764,374	7,042,299
Proceeds from sale of loans held for investment	1,950,276	2,392,773
Leased vehicles purchased	(4,138,748)	(3,706,763)
Manufacturer incentives received	799,252	744,089
Proceeds from sale of leased vehicles	1,724,836	412,167
Change in revolving personal loans	(197,448)	(177,478)
Purchases of furniture and equipment	(15,584)	(13,862)
Sales of furniture and equipment	310	662
Change in restricted cash	(467,165)	(425,821)
Other investing activities	(9,434)	(4,526)
Net cash used in investing activities	(6,285,026)	(6,241,062)
Cash flows from financing activities:		
Proceeds from notes payable related to secured structured financings — net of debt issuance costs	11,816,224	10,310,701
Payments on notes payable related to secured structured financings	(8,343,736)	(7,071,464)
Proceeds from unsecured notes payable	5,470,000	3,348,334
Payments on unsecured notes payable	(5,635,000)	(3,681,399)

Proceeds from notes payable	20,648,451	20,028,887
Payments on notes payable	(20,396,595)	(19,405,515)
Proceeds from stock option exercises, gross	87,714	24,529
Excess tax benefit on stock option exercises	26,390	—
Repurchase of stock - employee tax withholding	(1,263)	(5,999)
Dividends paid	—	(52,316)
Net cash provided by financing activities	3,672,185	3,495,758
Net increase in cash and cash equivalents	71,395	33,358
Cash — Beginning of period	33,157	10,531
Cash — End of period	$104,552	$43,889
Noncash investing and financing transactions:		
Transfer of retail installment contracts to repossessed vehicles	$1,268,249	$1,103,809

See notes to unaudited condensed consolidated financial statements.

10

SANTANDER CONSUMER USA HOLDINGS INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
(Unaudited)

1. Description of Business, Basis of Presentation, and Significant Accounting Policies and Practices

Santander Consumer USA Holdings Inc., a Delaware Corporation (together with its subsidiaries, “SC” or “the Company”), is the holding company for Santander Consumer USA Inc., an Illinois corporation, and subsidiaries, a specialized consumer finance company focused on vehicle finance. The Company’s primary business is the indirect origination of retail installment contracts principally through manufacturer-franchised dealers in connection with their sale of new and used vehicles to retail consumers.

In conjunction with the Chrysler Agreement, a ten-year private label financing agreement with Chrysler Group that became effective May 1, 2013, the Company offers a full spectrum of auto financing products and services to Chrysler customers and dealers under the Chrysler Capital brand. These products and services include consumer retail installment contracts and leases, as well as dealer loans for inventory, construction, real estate, working capital and revolving lines of credit.

The Company also originates vehicle loans through a web-based direct lending program, purchases vehicle retail installment contracts from other lenders, and services automobile and recreational and marine vehicle portfolios for other lenders. Additionally, the Company has several relationships through which it provides personal loans, private label credit cards and other consumer finance products.

As of September 30, 2015, the Company was owned approximately 59.0% by SHUSA, a subsidiary of Santander, approximately 31.2% by public shareholders, approximately 9.8% by DDFS LLC, an entity affiliated with Thomas G. Dundon, the Company’s former Chairman and CEO and approximately 0.1% by other holders, primarily members of senior management. Pursuant to a Separation Agreement with Mr. Dundon, SHUSA was deemed to have delivered, as of July 3, 2015, an irrevocable notice to exercise the call option with respect to all the shares of Company common stock owned by DDFS LLC and consummate the transactions contemplated by the call option notice, subject to required bank regulatory approvals and any other approvals required by law being obtained (the "Call Transaction"). Pursuant to the Separation Agreement, because the Call Transaction was not consummated prior to October 15, 2015 (the “Call End Date”), DDFS is free to transfer any or all of its shares of Company common stock, subject to the terms and conditions of the Amended and Restated Loan Agreement, dated as of July 16, 2014, between DDFS and Santander. In the event the Call Transaction were to be completed after the Call End Date, interest would accrue on the price paid per share in the Call Transaction at the overnight LIBOR rate on the third business day preceding the consummation of the Call Transaction plus 100 basis points with respect to any shares of Company common stock ultimately sold in the Call Transaction (Note 12).

Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of the Company and its subsidiaries, including certain Trusts, which are considered VIEs. The Company also consolidates other VIEs for which it was deemed to be the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying condensed consolidated financial statements as of September 30, 2015 and December 31, 2014, and for the three and nine months ended September 30, 2015 and 2014, have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year. These financial statements should be read in conjunction with the Company’s Annual Report for the year ended December 31, 2014.

Certain prior year amounts have been reclassified to conform to current year presentation; specifically, retail installment contracts held for investment, personal loans, receivables from dealers, and capital lease receivables, which previously were reported as separate line items in the condensed consolidated balance sheet, now are reported in aggregate in the condensed consolidated balance sheet as finance receivables held for investment, net, with disclosure of the components in Note 3 – Finance Receivables and Note 4 – Leases. Additionally, related-party assets and liabilities, which previously were disclosed separately within certain line items in the condensed consolidated balance sheet, are now reported as separate line items in the condensed consolidated balance sheet. The classification of related-party assets and liabilities reported in the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014 is as follows:

Related-Party Assets and Liabilities Classification as of	
September 30, 2015	December 31, 2014
Related party taxes receivable	Federal, state and other income taxes receivable
Due from affiliates	Other assets
Notes payable – related party	Notes payable – credit facilities
Related party taxes payable	Federal, state and other income taxes payable
Due to affiliates	Accrued interest payable
	Accounts payable and accrued expenses
	Other liabilities

The reclassifications in the condensed consolidated balance sheets also are reflected in the corresponding categories in the condensed consolidated statements of cash flows.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the amount of revenue and expenses during the reporting periods. Actual results could differ from those estimates and those differences may be material. These estimates include the determination of credit loss allowance, discount accretion, impairment, expected end-of-term lease residual values, values of repossessed assets, and income taxes. These estimates, although based on actual historical trends and modeling, may potentially show significant variances over time.

Business Segment Information

The Company has one reportable segment: Consumer Finance, which includes the Company’s vehicle financial products and services, including retail installment contracts, vehicle leases, and dealer loans, as well as financial products and services related to motorcycles, recreational vehicles, and marine vehicles. It also includes the Company’s personal loan and point-of-sale financing operations.

Accounting Policies

There have been no material changes in the Company's accounting policies from those disclosed in Part II, Item 8 -Financial Statements and Supplementary Data in the Annual Report on Form 10-K for the year ended December 31, 2014.

Recently Adopted Accounting Standards

In June 2014, the FASB issued ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The standard requires entities to account for repurchase-to-maturity transactions as secured borrowings, eliminates accounting guidance on linked repurchase financing transactions, and expands disclosure requirements related to certain transfers of financial assets that are accounted for as secured borrowings. This guidance became effective for the Company January 1, 2015 and implementation of this guidance did not have a significant impact on the Company’s financial position, results of operations, or cash flows.

In April 2015, the FASB issued ASU 2015-03, Imputation of Interest. This ASU requires that debt issuance costs, as well as discounts arising from the imputation of interest, be recorded as part of the basis of the related note, rather than as a separate asset or liability. In August 2015, the FASB and SEC further clarified their views on debt costs incurred in connection with a line of credit arrangement with ASU 2015-15. The guidance should be applied retrospectively and will be effective for fiscal years beginning after December 31, 2015. Early adoption is permitted. The Company early adopted ASU 2015-3 in its third quarter ended September 30, 2015. The adoption of this guidance did not have a material impact to the Company’s consolidated financial statements for current or previous interim and annual reporting periods.

12

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides guidance on a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The effective date for this ASU, which was deferred by ASU 2015-14 issued in August 2015, is for fiscal years beginning after December 15, 2017, the Company does not expect the adoption to have a material impact to the condensed consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period. This standard affects entities that issue share-based payments when the terms of an award stipulate that a performance target could be achieved after an employee completes the requisite service period. This guidance is effective for fiscal years beginning after December 15, 2015. The Company is currently evaluating the impact of the adoption on its condensed consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income Statement - Extraordinary and Unusual Items. This standard simplifies income statement classification by removing the concept of extraordinary items from U.S. GAAP, and as a result, items that are both unusual and infrequent no longer will be separately reported net of tax after continuing operations. This guidance is effective for periods beginning after December 15, 2015. The Company does not expect the adoption to have a material impact to the condensed consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation: Amendments to the Consolidation Analysis. This ASU changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance is effective for periods beginning after December 15, 2015. The Company is in the process of evaluating the impacts of the adoption of this ASU.

2. Corrections of Errors

Subsequent to the issuance of the Company's September 30, 2015 condensed consolidated financial statements, the Company identified errors in its historical financial statements, including for the three and nine months ended September 30, 2015 and 2014. Accordingly, the Company has restated the unaudited interim condensed consolidated financial statements as of and for the three and nine months ended September 30, 2015 and 2014 to reflect the error corrections, the most significant of which are as follows:

I. Errors previously disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed on March 31, 2016 (the "Original 10-K"):

- The Company determined that its historical methodology for estimating its credit loss allowance for individually acquired retail installment contracts held for investment was in error as it did not estimate impairment on troubled debt restructurings (TDRs) separately from a general credit loss allowance on loans not classified as TDRs, and incorrectly applied a loss emergence period to the entire portfolio rather than only to loans not classified as TDRs. In addition, the Company determined that it had incorrectly identified the population of loans that should be classified and disclosed as TDRs, and, separately, had incorrectly estimated the impairment on these loans, as of each balance sheet dates. The Company has corrected its allowance methodology accordingly, and has determined, based on this corrected methodology, the the credit loss allowance reported on the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014 was overstated by $82,692 and $56,508, respectively.
- The Company determined that subvention payments related to leased vehicles were incorrectly classified, within the income statement, as an addition to Leased vehicle income rather than a reduction of Leased vehicle expense. The subvention payments classification errors did not impact net income for any period.

The impact of the corrections of the above errors on the financial statements for the three and nine months ended September 30, 2015 and 2014 was disclosed in Part II, Item 9B of the Original 10-K.

II. Errors identified subsequent to the filing of the Original 10-K:

- The Company previously used the loans’ original contractual interest rate rather than the original effective rate as the discount rate applied to expected cash flows to determine TDR impairment. ASC 310-40-35-12 requires that expected future cash flows be discounted using the original effective interest rate.

13

The Company has corrected the discount rate used in the determination of TDR impairment and has determined that the allowance was understated, and the net carrying balance of individually acquired retail installment contracts held for investment accordingly overstated, by $71,486 and $68,642 as of September 30, 2015 and December 31, 2014, respectively, related to this methodology error. This error also caused the provision for credit losses in the condensed consolidated statements of income and comprehensive income to be overstated by $1,835 and understated by $5,384 for the three months ended September 30, 2015 and 2014, respectively, and understated by $2,844 and $8,789 for the nine months ended September 30, 2015 and 2014, respectively.

- The Company has determined that its application of the retrospective effective interest method for accreting discounts, subvention payments from manufacturers, and other origination costs (collectively "discount") on individually acquired retail installment contracts held for investment was in error, as (i) these cost basis adjustments were accreted over the average life of a loan rather than the aggregate life of a loan pool, (ii) defaults were inappropriately considered in the estimate of future principal prepayments, (iii) the portfolio was not adequately segmented to consider different prepayment performance based on credit quality and term, (iv) remaining unaccreted balances at charge off were being recorded as interest income rather than as reductions of the net charge off, and (v) the unaccreted discount component of TDR carrying value was misstated, resulting in inaccurate TDR impairment.

(i) The Company previously had accreted discounts over the average life of the loan portfolio. However, Examples 3 and 4 in the implementation guidance to ASC 310-20, Receivables - Nonrefundable Fees and Other Costs, provide guidance on the projection of cash flows for a pool of loans and the treatment of actual and anticipated prepayments for determining the effective interest rate under the retrospective method. The guidance demonstrates an application that aligns with the aggregate life of the loan pool rather than the average loan life concept. Under the average life method previously applied by the Company, anticipated prepayments shortened the life of the portfolio and maintained the portfolio monthly cash flows constant, i.e., incorrectly accelerated the accretion of discount. Accordingly, management has determined that the use of the average life was in error.

(ii) The Company previously had considered all types of liquidations, both voluntary prepayments and charge offs, as anticipated prepayments for purposes of determining a prepayment assumption. However, the application of a prepayment assumption as described in ASC 310-20-35-26 does not allow for future expected defaults to be considered in the assumption. Accordingly, management has determined that the inclusion of future expected defaults in the anticipated prepayment assumption was in error.

(iii) The Company previously had aggregated all loans in the individually acquired retail installment contract portfolio into one pool for the purpose of estimating prepayments and determining the effective interest rate under the retrospective method. ASC 310-20-35-30 provides some characteristics to be considered when aggregating a large number of similar loans for this purpose. Management has determined that there is differentiation in prepayment behavior within its loan portfolio based on characteristics including credit quality, maturity, and period of origination. Accordingly, management has determined that the absence of segmentation into pools of homogeneous loans was in error.

(iv) The Company previously had recorded charge offs based on unpaid principal balance. The accretion of discount of charged off loans was previously reported as interest income. However, ASC 310-10, Receivables, refers to the recorded investment in the loan as the appropriate accounting basis. ASC 310-10-35-24 specifies that the recorded investment includes adjustments such as unamortized premium or discount. Accordingly, management has determined that unaccreted discounts remaining at charge off should be included in the net charge off amount recorded.

(v) As a result of the incorrect accretion methodology, as well as the exclusion of unaccreted discount, the recorded investment in TDRs was misstated, resulting in a misstatement of TDR impairment.

The Company has corrected its accretion methodology and has determined that the various aspects had the following impacts as of each period end balance sheet date:

	September 30, 2015	December 31, 2014
Overstatement of recorded investment	$ 149,947	$ 140,215
Overstatement of TDR impairment	(64,501)	(56,320)
Overstatement of finance receivables, net	$ 85,446	$ 83,895
Overstatement of finance receivables held for sale	$ 301	$ (1)
Overstatement of finance receivables held for investment, net	$ 85,145	$ 83,896

This error also had the following impacts on the condensed consolidated statements of income and comprehensive income:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest on finance receivables and loans	$55,160	$37,744	$151,205	$118,610
Investment gains (losses), net	(21,117)	6,853	(24,516)	7,954
Provision for credit losses	(45,285)	(51,990)	(125,137)	(125,228)
	$(11,242)	$(7,393)	$1,552	$1,336

- The Company previously omitted the consideration of net unaccreted discounts when estimating the allowance for credit losses for the non-TDR portfolio of individually acquired retail installment loans held for investment under ASC 450-20. Accordingly, management has determined that the omission of consideration of net unaccreted discounts in the allowance was in error.

The Company has corrected its allowance methodology to take net unaccreted discounts into consideration, and has determined that the allowance was overstated, and the net carrying balance of individually acquired retail installment contracts held for investment accordingly understated, by $100,695 and $95,465 as of September 30, 2015 and December 31, 2014, respectively, related to this methodology error. This error also caused the provision for credit losses in the condensed consolidated statements of income and comprehensive income to be overstated by $868 and $1,001 for the three months ended September 30, 2015 and 2014, respectively, and $5,230 and $23,412 for the nine months ended September 30, 2015 and 2014, respectively.

- During the three months ended September 30, 2015, the Company had recognized $12,340 in severance-related expenses, $9,881 in stock compensation expense and a liability for $115,139 in contemplation of the amounts and benefits payable to former CEO Thomas G. Dundon pursuant to a Separation Agreement among Mr. Dundon, the Company, DDFS LLC, SHUSA and Santander. However, the Company has subsequently determined that its previous accounting for the expenses and liabilities contemplated in the Separation Agreement was in error as such expenses and liabilities should not be recorded until all applicable conditions have been satisfied, including that all regulatory approvals have been obtained. Accordingly, the accompanying restated consolidated financial statements as of and for the nine months ended September 30, 2015 do not include any expense or liability associated with the Separation Agreement. Further, in the absence of satisfaction of applicable conditions, Mr. Dundon’s remaining unexercised vested options are considered to have expired subsequent to his termination without cause; accordingly, the restated financial statements reflect the removal of the deferred tax asset associated with the previously recorded compensation expense related to Mr. Dundon’s vested but unexercised options, and do not include Mr. Dundon’s vested options in the calculation of diluted weighted average common shares outstanding.

In addition to the restatement of the Company's condensed consolidated financial statements, certain information within the following notes to the condensed consolidated financial statement has been restated to reflect the corrections of errors discussed above as well as other, less significant errors and/or to add disclosure language, as appropriate.

- Note 3. Finance Receivables
- Note 4. Leases

15

- Note 5. Credit Loss Allowance and Credit Quality
- Note 7. Variable Interest Entities
- Note 8. Derivative Financial Instruments
- Note 9. Other Assets
- Note 10. Income Taxes
- Note 11. Commitments and Contingencies
- Note 12. Related-Party Transactions
- Note 13. Computation of Basic and Diluted Earnings per Common Share
- Note 14. Fair Value of Financial Instruments
- Note 15. Employee Benefit Plans

The following table summarizes the impacts of the corrections on the condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014:

	September 30, 2015				
	As Originally Reported (a)	Corrections	As Reported (b)	Corrections	As Restated
Finance receivables held for sale, net	$2,709,944	$ —	$2,709,944	$ (301)	$2,709,643
Finance receivables held for investment, net	23,464,030	82,692	23,546,722		