Total Loss-Absorbing Capacity (“TLAC”) Disclosure

The Board of Governors of the Federal Reserve System (the “Federal Reserve”) adopted a final rule in December 2016 that requires certain U.S. organizations to maintain a minimum amount of loss-absorbing capacity, including a minimum amount of unsecured long term debt (“LTD”) (the “TLAC Rule”). The TLAC Rule applies to U.S. globally systemic important banks and to U.S. intermediate holding companies (“IHCs”) with $50 billion or more in U.S. non-branch assets that are controlled by a globally systemically important foreign banking organization. Santander Holdings USA, Inc., a Virginia corporation (the “Company”), is such an IHC. The TLAC Rule requires such IHCs to publicly disclose a description of the financial consequences to unsecured debtholders of the IHC’s entry into a resolution proceeding in which the IHC is the only entity that would enter resolution. In order to comply with this rule, the Company has made the following disclosures:

Our resolution in a bankruptcy proceeding could result in losses for holders of our securities.

Under regulations issued by the Federal Reserve and the Federal Deposit Insurance Corporation (the “FDIC”), and as required by Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the Company must provide to the Federal Reserve and the FDIC a plan (a “Section 165(d) Resolution Plan”) for our rapid and orderly resolution in the event of material financial distress affecting the Company or the failure of the Company. The purpose of this provision of the Dodd-Frank Act is to provide regulators with plans that would enable them to resolve failing financial companies that pose a significant risk to the financial stability of the United States in a manner that mitigates such risk. The most recently filed Section 165(d) Resolution Plan by Banco Santander, S.A. (“Banco Santander”), dated December 31, 2018 (the “2018 Resolution Plan”), provides a roadmap for the orderly resolution of the material U.S. operations of Banco Santander under hypothetical stress scenarios and the failure of one or more of its U.S. material entities (“U.S. MEs”). Material entities are defined as subsidiaries or foreign offices of Banco Santander that are significant to the activities of a critical operation or core business line. The U.S. MEs identified in the 2018 Resolution Plan include, among other entities, the Company, Santander Bank, N.A. (the “Bank”) and Santander Consumer USA Inc. (“Santander Consumer USA”). Santander Consumer USA is a wholly-owned subsidiary of Santander Consumer USA Holdings Inc.

The 2018 Resolution Plan describes a strategy for resolving Banco Santander’s U.S. operations, including its U.S. MEs and the core business lines that operate within those U.S. MEs, in a manner that would substantially mitigate the risk that the resolutions would have serious adverse effects on U.S. or global financial stability. Under the 2018 Resolution Plan’s hypothetical resolutions of the U.S. MEs, the Bank would be placed into FDIC receivership and the Company and Santander Consumer USA would be placed into bankruptcy under Chapter 7 and Chapter 11 of the U.S. Bankruptcy Code, respectively.

The strategy described in the 2018 Resolution Plan contemplates a “multiple point of entry” strategy, in which Banco Santander and the Company would each undergo separate resolution proceedings under the laws of Spain and the U.S. Bankruptcy Code, respectively. In a
scenario in which the Bank and Santander Consumer USA were in resolution, the Company
would file a voluntary petition under Chapter 7 of the U.S. Bankruptcy Code, and holders of our
LTD and other debt securities would be junior to the claims of priority (as determined by statute)
and secured creditors of the Company.

The Company, the Federal Reserve and the FDIC are not obligated to follow the
Company’s preferred resolution strategy for resolving its U.S. operations under its resolution
plan. In addition, Banco Santander could in the future change its resolution strategy for resolving
its U.S. operations. In an alternative scenario, the Company alone could enter bankruptcy under
the U.S. Bankruptcy Code, and the Company’s subsidiaries would be recapitalized as needed
using assets of the Company, so that they could continue normal operations as going concerns or
subsequently be wound down in an orderly manner. As a result, the losses incurred by the
Company and its subsidiaries would be imposed first on the holders of the Company’s equity
securities and thereafter on unsecured creditors, including holders of our LTD and other debt
securities. Holders of our LTD and other debt securities would be junior to the claims of
creditors of the Company’s subsidiaries and to the claims of priority (as determined by statute)
and secured creditors of the Company. Under either of these scenarios, in a resolution of the
Company under Chapter 11 of the U.S. Bankruptcy Code, holders of our LTD and other debt
securities would realize value only to the extent available to the Company as a shareholder of the
Bank, Santander Consumer USA and its other subsidiaries, and only after any claims of priority
and secured creditors of the Company have been fully repaid.

In December 2016, the Federal Reserve finalized rules requiring IHCs of foreign global
systemically important banks, including the Company, to maintain minimum amounts of LTD
and TLAC. It is possible that the Company’s resolution strategy in connection with the
implementation of those rules, effective on January 1, 2019, could change on or before that date.
Further, even if Banco Santander’s and the Company’s strategy for resolving its U.S. operations
does not change, it is possible that the Federal Reserve or the FDIC could choose not to follow
the current strategy.

The resolution of the Company under the orderly liquidation authority could result in greater
losses for holders of our securities.

The ability of holders of our LTD and other debt securities to recover the full amount
that would otherwise be payable on those securities in a resolution proceeding under Chapter 11
of the U.S. Bankruptcy Code may be impaired by the exercise of the FDIC’s powers under the
“orderly liquidation authority” under Title II of the Dodd-Frank Act.

Title II of the Dodd-Frank Act created a new resolution regime known as the “orderly
liquidation authority” to which financial companies, including U.S. IHCs of foreign banking
organizations with assets of $50 billion or more such as the Company, can be subjected. Under
the orderly liquidation authority, the FDIC may be appointed as receiver to liquidate a financial
company if, upon the recommendation of applicable regulators, the United States Secretary of
the Treasury determines that the entity is in severe financial distress, the entity’s failure would
have serious adverse effects on the U.S. financial system and resolution under the orderly
liquidation authority would avoid or mitigate those effects, among other things. Absent such
determinations, the Company would remain subject to the U.S. Bankruptcy Code.
If the FDIC is appointed as receiver under the orderly liquidation authority, then the
orderly liquidation authority, rather than the U.S. Bankruptcy Code, would determine the powers
of the receiver and the rights and obligations of creditors and other parties who have transacted
with the Company. There are substantial differences between the rights available to creditors
under the orderly liquidation authority and under the U.S. Bankruptcy Code. For example, under
the orderly liquidation authority, the FDIC may disregard the strict priority of creditor claims in
some circumstances (which would otherwise be respected under the U.S. Bankruptcy Code), and
an administrative claims procedure is used to determine creditors’ claims (as opposed to the
judicial procedure utilized in bankruptcy proceedings). Under the orderly liquidation authority,
in certain circumstances, the FDIC could elevate the priority of claims if it determines that doing
so is necessary to facilitate a smooth and orderly liquidation without the need to obtain the
consent of other creditors or prior court review. Furthermore, the FDIC has the right to transfer
assets or liabilities of the failed company to a third party, or “bridge” entity, under the orderly
liquidation authority.

Regardless of what resolution strategy Banco Santander might prefer for resolving its
U.S. operations, the FDIC could determine that it is a desirable strategy to resolve the Company
in a manner that would, among other things, impose losses on the Company’s shareholder,
unsecured debt holders (including holders of LTD) and other creditors, while permitting the
Company’s subsidiaries to continue to operate. It is likely that the application of such an entry
strategy in which the Company would be the only legal entity in the U.S. to enter resolution
proceedings would result in greater losses to holders of our LTD and other debt securities than
the losses that would result from the application of a bankruptcy proceeding or a different
resolution strategy for the Company. Assuming the Company entered resolution proceedings and
support from the Company to its subsidiaries was sufficient to enable the subsidiaries to remain
solvent, losses at the subsidiary level could be transferred to the Company and ultimately borne
by the Company’s security holders (including holders of our LTD and other debt securities), with
the result that third-party creditors of the Company’s subsidiaries would receive full recoveries
on their claims, while the Company’s securityholders (including holders of our LTD) and other
unsecured creditors could face significant losses. In addition, in a resolution under the orderly
liquidation authority, holders our LTD and other debt securities of the Company could face
losses ahead of our other similarly situated creditors if the FDIC exercised its right, described
above, to disregard the strict priority of creditor claims.

The orderly liquidation authority also requires that creditors and shareholders of the
financial company in receivership must bear all losses before taxpayers are exposed to any
losses, and amounts owed by the financial company or the receivership to the U.S. government
would generally receive a statutory payment priority over the claims of private creditors,
including holders of our LTD and other debt securities. In addition, under the orderly liquidation
authority, claims of creditors (including holders of our LTD and other debt securities) could be
satisfied through the issuance of equity or other securities in a bridge entity to which the
Company’s assets are transferred, as described above. If securities were to be delivered in
satisfaction of claims, there can be no assurance that the value of the securities of the bridge
entity would be sufficient to repay all or any part of the creditor claims for which the securities
were exchanged.
Although the FDIC has issued regulations to implement the orderly liquidation authority, not all aspects of how the FDIC might exercise that authority are known, and additional rulemaking is possible.