

Specialty Finance

2016 Strategic Plan

Boston – June 2013

Executive Summary

Specialty Finance is a core growth unit for the Corporate Banking division

- 1 Specialty financing unit is a key unit for all of Sovereign Bank's peers
- 2 The bank has started building a strong Specialty Unit with some core capabilities. There is substantial opportunity to increase across a number of the units
- 3 Currently, the portfolio BAU growth 10% can be achieved
- 4 With additional investment **\$300MM** of additional revenues **(\$230MM excluding costs)** can be achieved over the **3 year period**

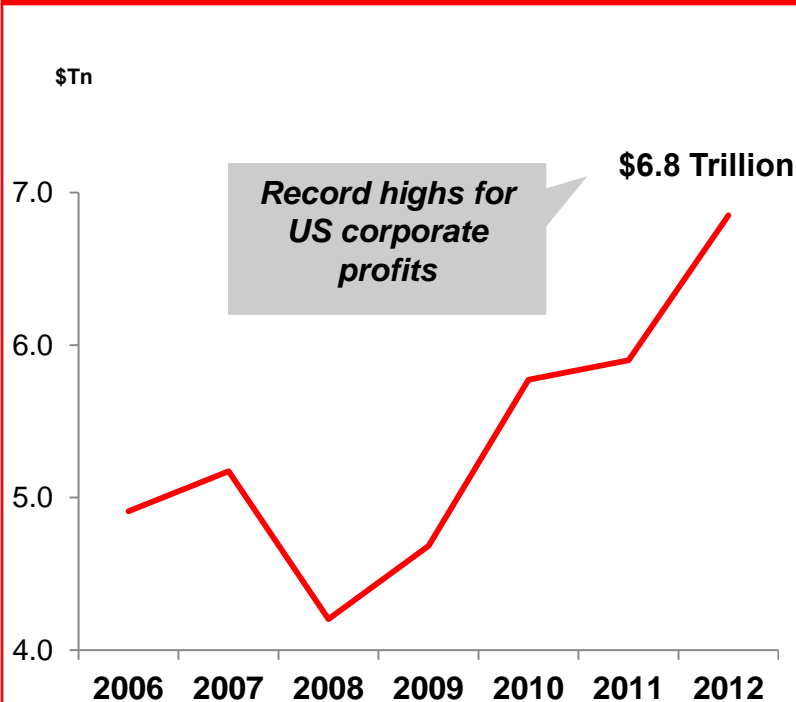
Agenda

- 
- 1. Market Environment & Competitive Landscape**
 2. Specialty Finance Strategic Initiatives
 3. Enablers & Requirements
 4. Conclusions

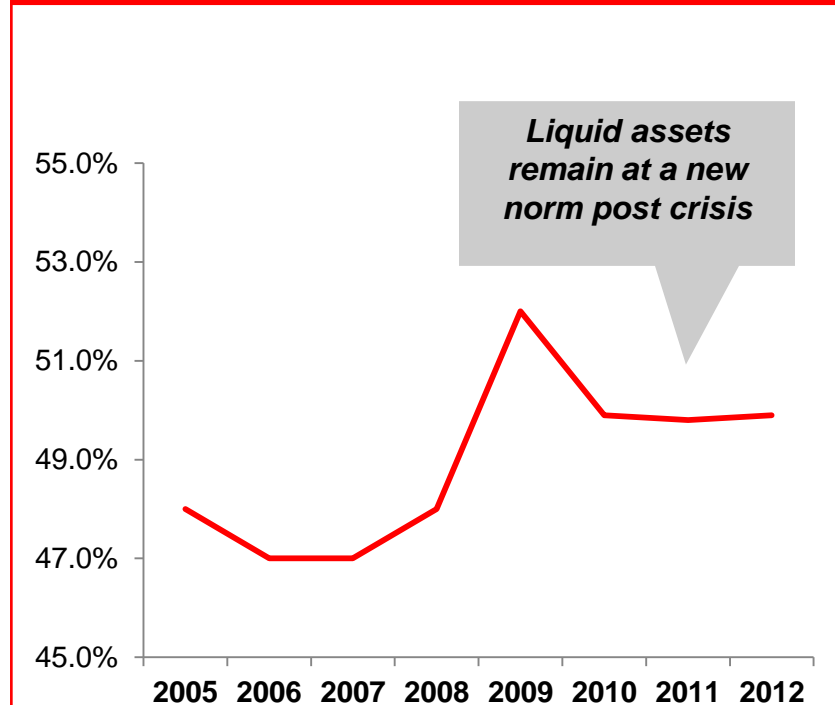
U.S. Corporate Environment

Conservatism persists within US Corporates despite record high profits

Corporate Profits after taxes



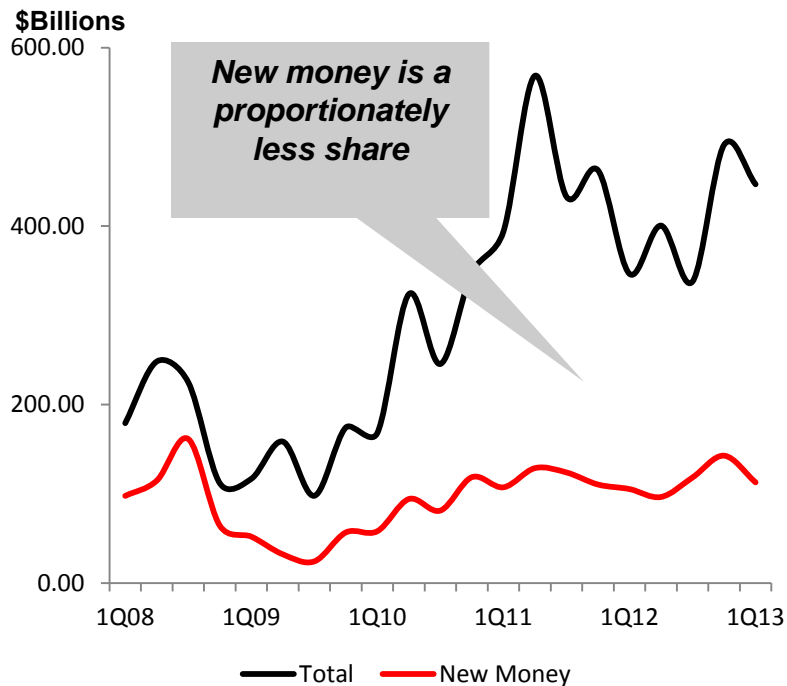
Increased Cash Reserves (Liquid assets as a % of total Company Assets)



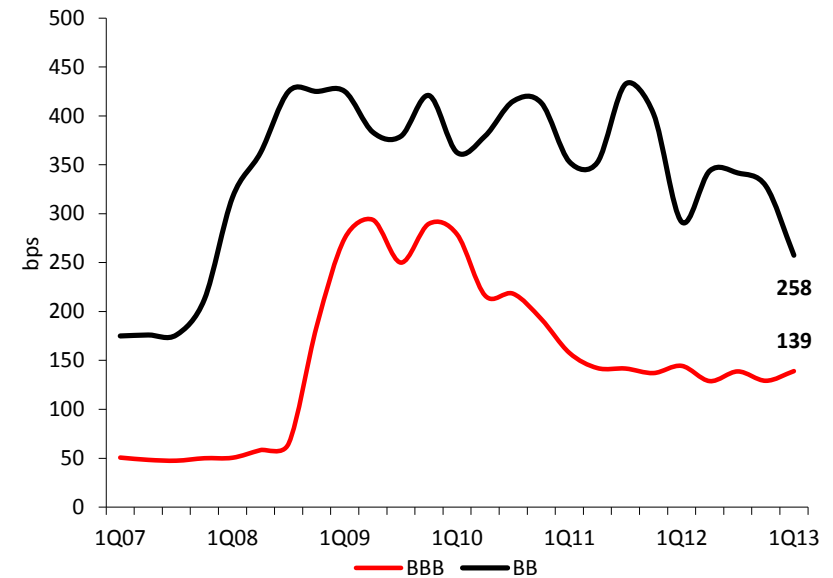
U.S. Corporate Environment

The environment is one of opportunistic refinancing as US corporates take advantage of low spreads

Originations



Spreads



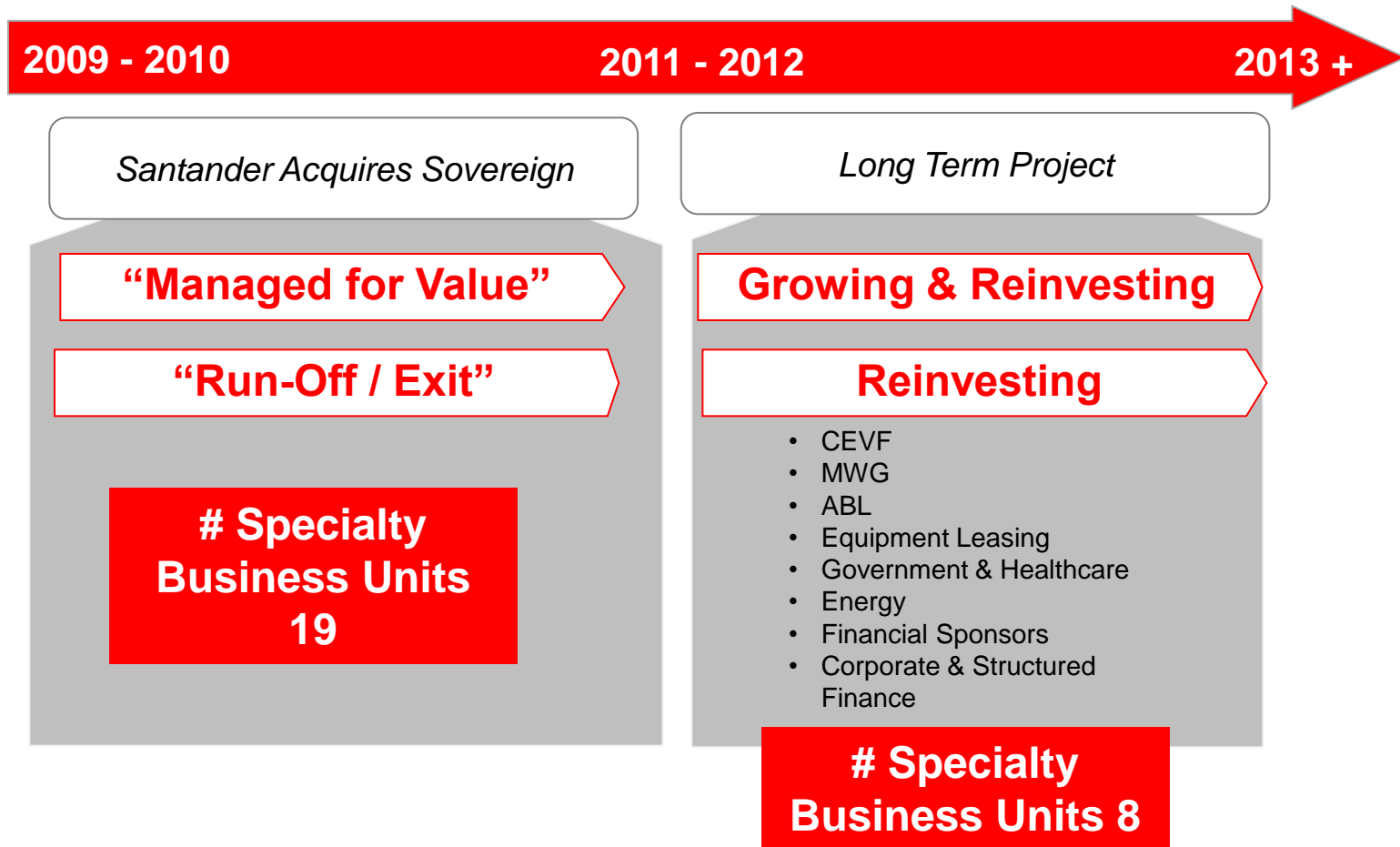
All Peer Banks Have Strong Presence Across Specialties

Strong presence in specialty products of the Peer Group and Big 4

	Peers											Big 4					Total #
	BB&T	Huntington	Capital One	M&T Bank	TD	Citizens Bank	PNC BANK	KeyBank	usbank	FIRST NIAGARA	FIFTH THIRD BANK	WELLS FARGO	Bank of America	JPMorgan	citi		
Equipment Leasing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	16
Asset Based Lending	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	16
Cash Flow Lending	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	16
Floor Plan	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	13
Trade Finance	✓			✓	✓	✓	✓		✓	✓		✓	✓		✓	✓	11
Leverage Finance	✓		✓		✓	✓		✓			✓	✓	✓	✓	✓		10
REIT	✓		✓	✓			✓	✓				✓	✓	✓	✓		9
Multifamily				✓	✓	✓	✓	✓	✓			✓	✓			✓	9
Mortgage Warehouse	✓											✓	✓	✓	✓	✓	7

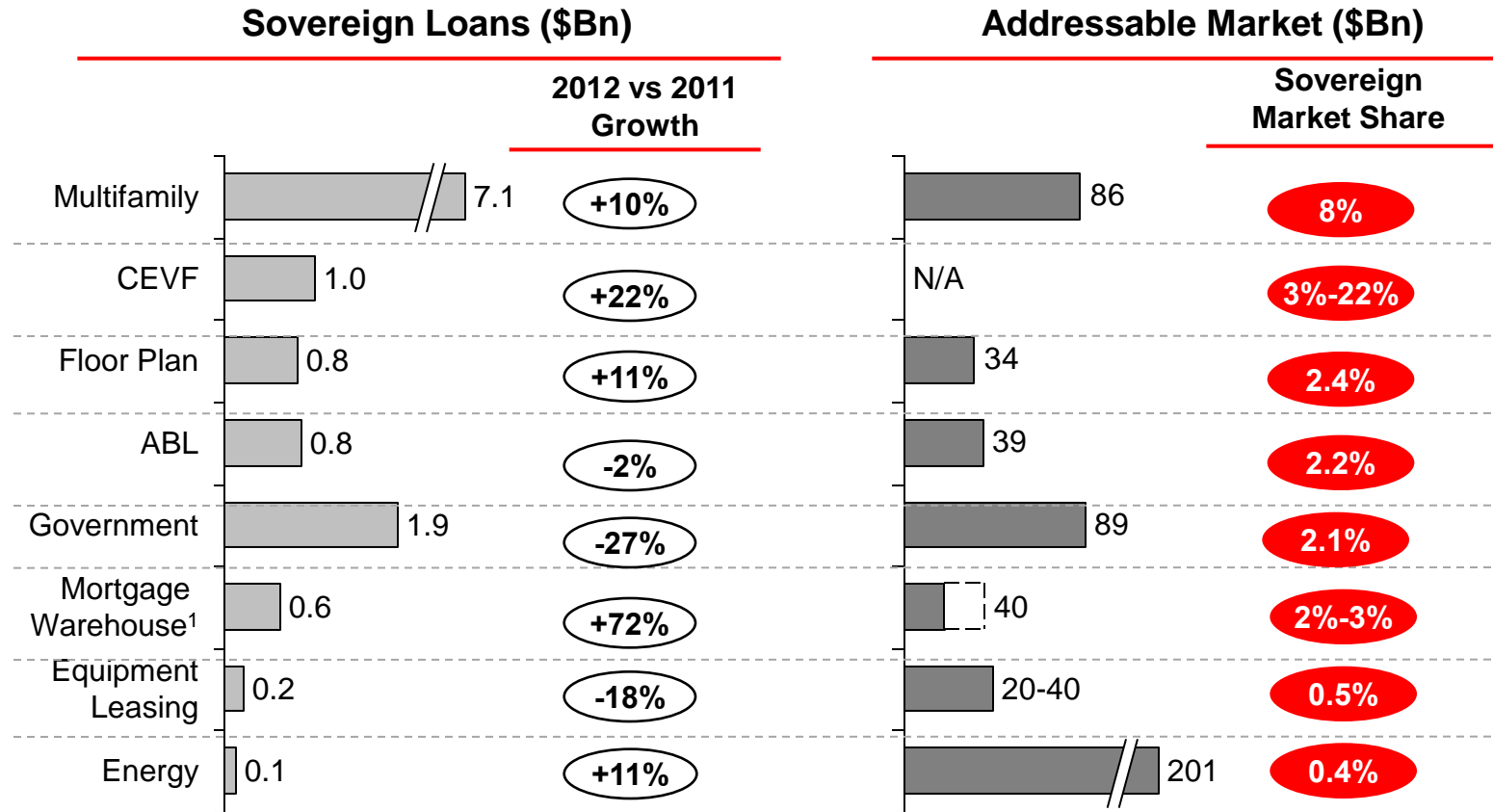
Sovereign Has a Track Record in Specialty Lending

The current portfolio is stable and well diversified



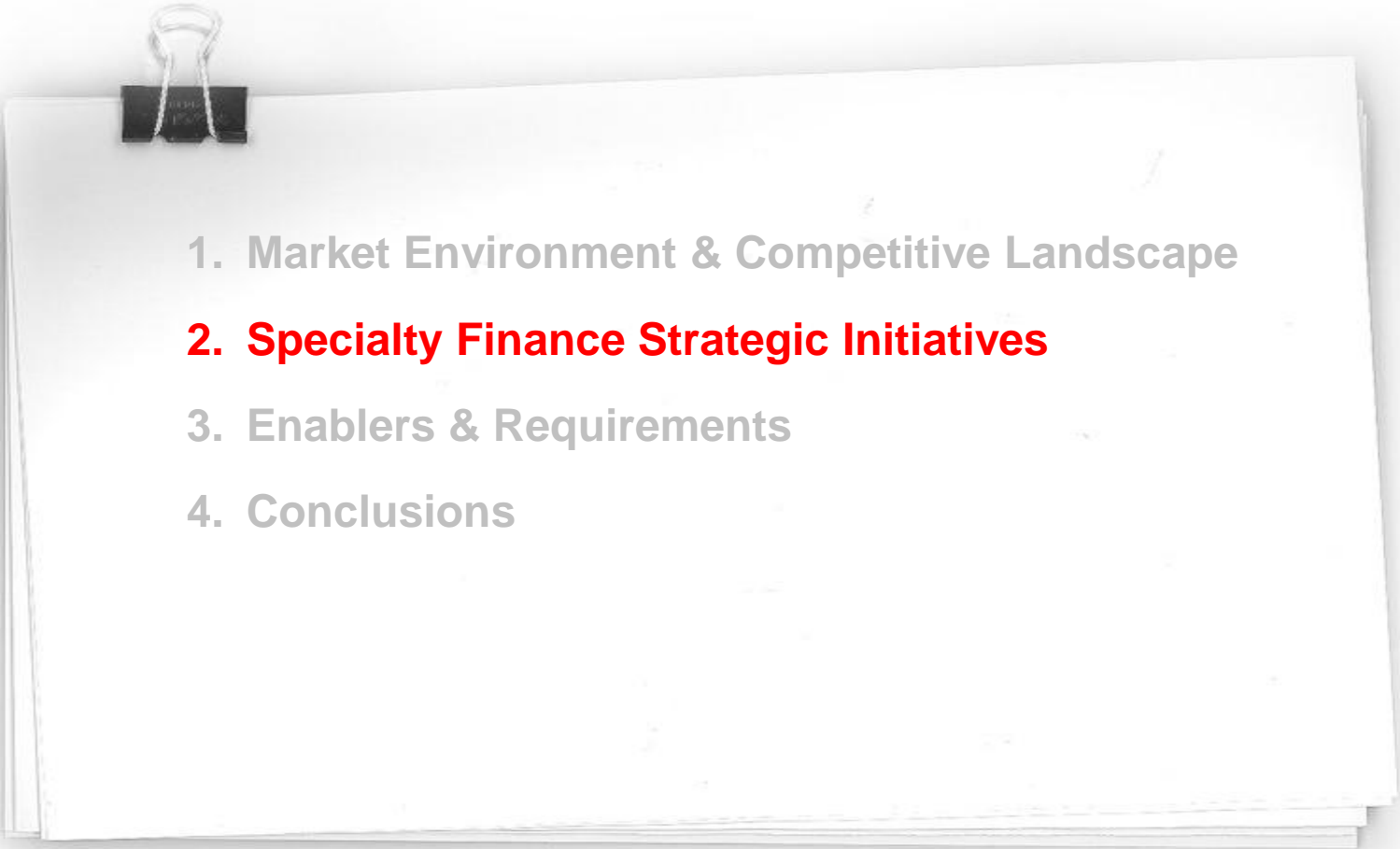
Sovereign Presence in Niche Businesses

Multiple commercial businesses, but with low market penetration



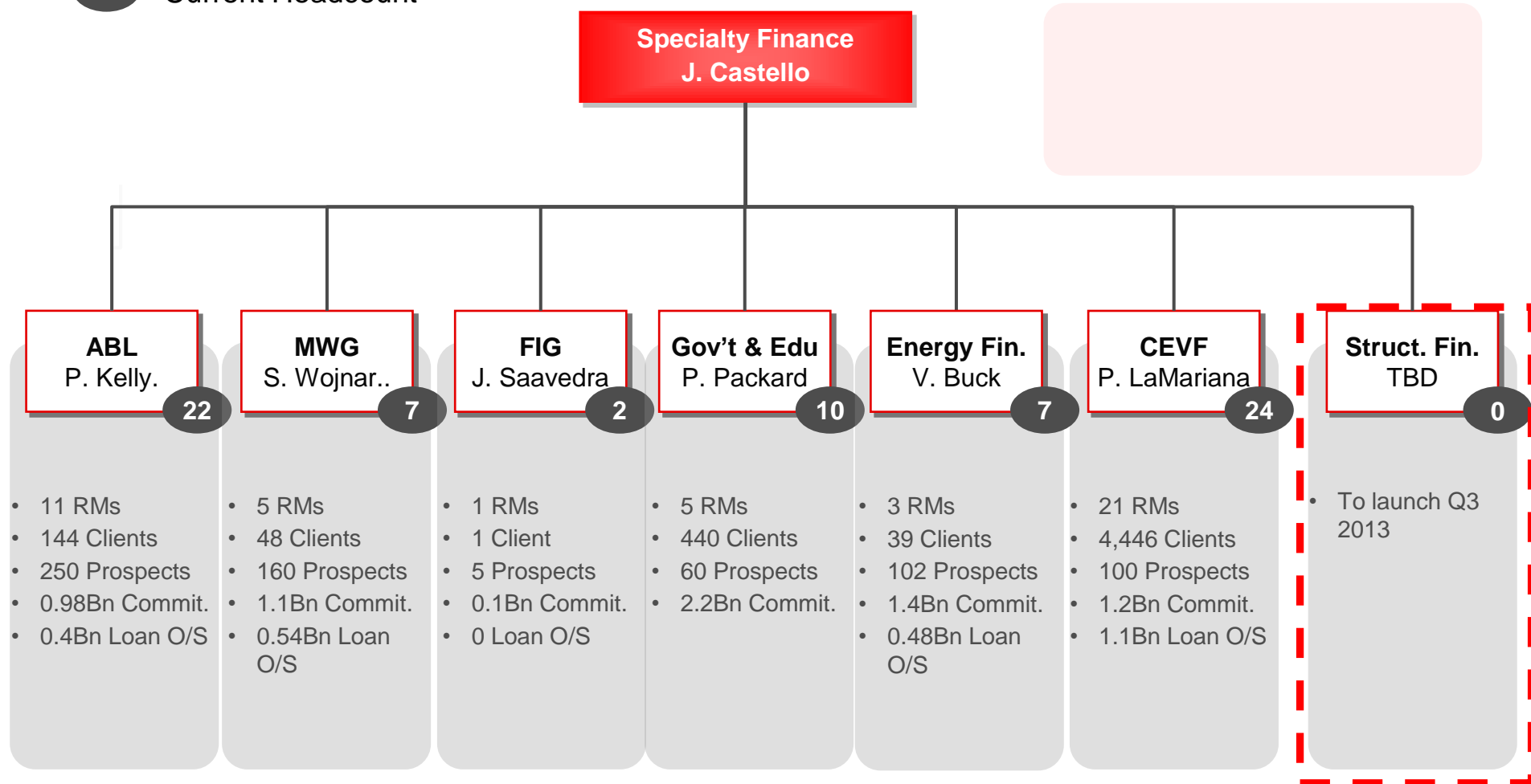
1. Loan data shown for all specialty businesses except Government for which Deposit data is shown
Source: Bain and Internal Data

Agenda







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1. Market Environment & Competitive Landscape
 - 2. Specialty Finance Strategic Initiatives**
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Organizational Hierarchy

74 Current Headcount



Proposed Initiatives...

\$MM		Yr 3 Inc Commit.	Yr 3 Inc. Loan O/S	Inc Deposit	Cum 3 yr Revenue	Cum 3 yr Cost	3 Year Total FTE/RM	Status
TOTAL INITIATIVES		\$10B	\$5.6B	\$5.8B	\$300m	\$63m	105/54	
▶ Mortgage Warehouse Lending		\$2.7B	\$1.3B	\$0.1B	\$69	\$9	24/12	
1	Establish leadership position by up tiering with quality clients	\$560	\$274	\$35	\$12	-	-	
2	Continue high quality out of footprint expansion opportunities	\$1,626	\$795	\$51	\$43	\$9	22/12	
3	Continue expansion of Community Depository client base	\$129	\$63	-	\$4	\$1	2/0	
4	Construction Warehouse Lending	\$432	\$211	\$13	\$10	-	-	
▶ Energy Finance		\$1.4B	\$0.5B	\$0.3B	\$17	\$2	3/2	
1	Complete hiring of Houston office	\$1.4B	\$0.5B	\$0.3B	\$15	\$2	3/2	
2	Enhance penetration through Partnerships				\$2		-	

Status indicators



Not started



Started needs expanding











Launched needs additional resource/policies



Santander

Proposed Initiatives...

\$MM

		Inc Commit.	Yr 3 Inc. Loan O/S	Inc Deposit	Inc Revenue	3 Year Total Cost	3 Year Total FTE/RM	Status
	Asset Based Lending	\$2.8B	\$1.6B	\$163	\$96	\$11	26/17	
1	Grow through industry verticals & strategic acquisitions	\$1,193	\$678	\$68	\$40	\$5	15/7	
2	Further enhance syndication & club deal strategy	\$1,056	\$600	\$60	\$34	\$2	5/4	
3	Continue closing geographical coverage gaps for direct lending	\$623	\$354	\$35	\$21	\$3	6/6	
	Government & Education	\$1.2B	\$0.7B	\$4.4B	\$37	\$10	29/14	
1	Close geographical gaps & initiate Government Lending Program	\$767	\$440	\$3.1B	\$15	\$6	18/8	
2	Grow the Education Vertical through increased coverage	\$418	\$240	\$1.0B	\$16	\$4	11/6	
3	Enhance product capabilities for Government segment	-	-	\$0.4B	\$6	-	-	

Status
indicators



Not
started



Started
needs
expanding



Launched needs
additional resource/
policies



Santander

Proposed Initiatives...

\$MM		Inc Commit.	Yr 3 Inc. Loan O/S	Inc Deposit	Inc Revenue	3 Year Total Cost	3 Year Total FTE/RM	Status
CEVF		\$1.0B	\$0.9B	-	\$45.6	\$30	21/7	
1	Re-enter into Healthcare Equipment Financing	\$221	\$202	-	\$11.1	\$17	11/4	
2	Expand Lending Capabilities into Taxi Medallion Market Niche	\$459	\$420	-	\$19.3	\$9	8/2	
3	Further enhance Municipal Lending capabilities	\$200	\$182	-	\$10.7	-	0	
4	Leverage relationships to build Commercial Floor Plan portfolio	\$87	\$80	-	\$4.5	\$4	2/1	
Financial Institutions		\$1.0B	\$0.6B	\$0.8	\$28.2	\$1	2/2	
1	Position Sovereign as a credible US platform for International FI's	\$22	\$22	-	\$3.5	\$1	1/1	
2	Position Sovereign as the US gateway for Santander affiliates	\$19	\$19	-	\$2.2	\$0	-	
3	Develop targeted business opportunities with domestic FI's	\$1,000	\$512	\$0.8	\$22.6	\$1	1/1	

Status
indicators



Not
started



Started
needs
expanding

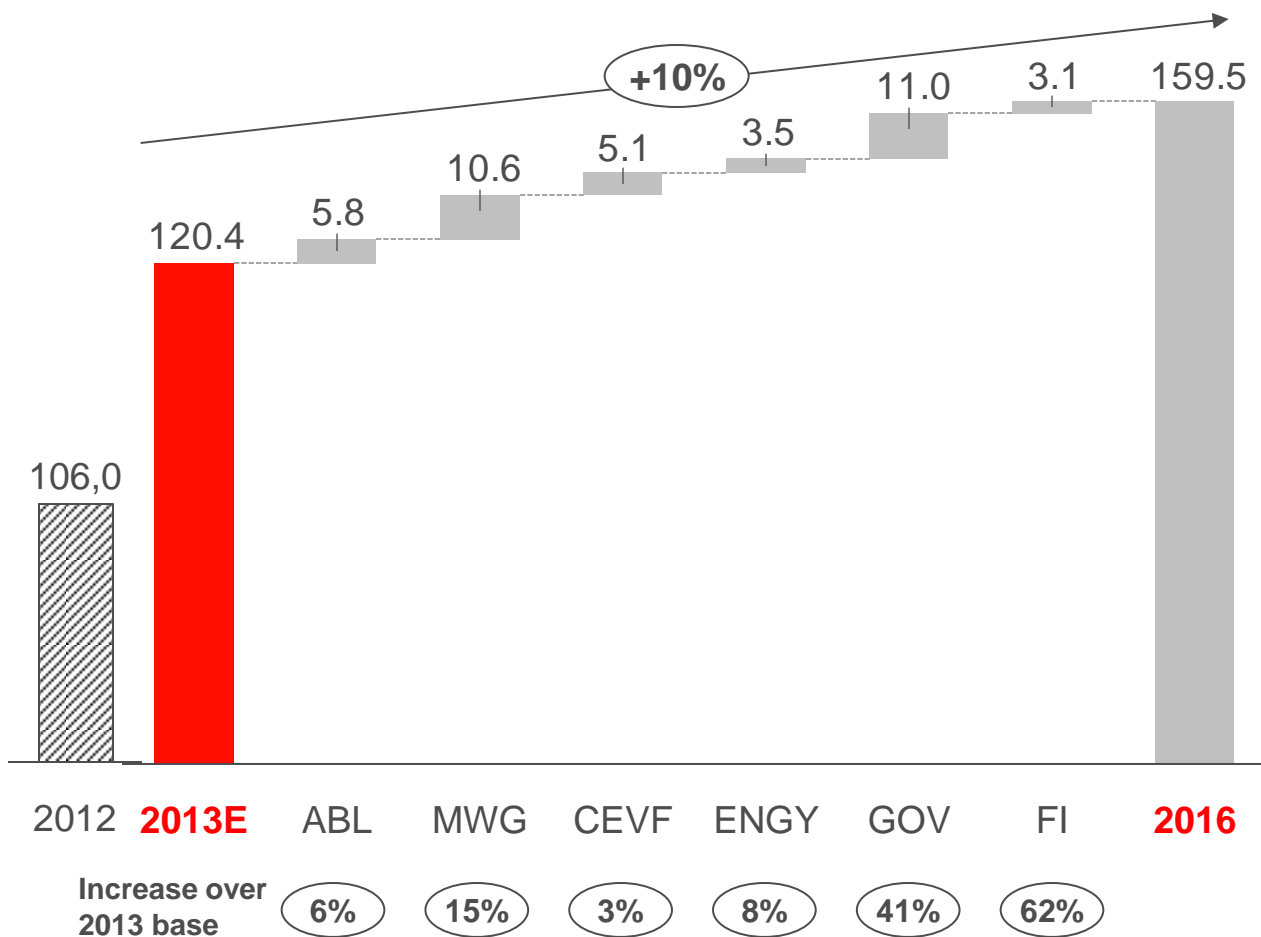


Launched needs
additional resource/
policies

BAU growth by business (2014 – 2016)

Revenue, \$MM

% CAGR-3YR

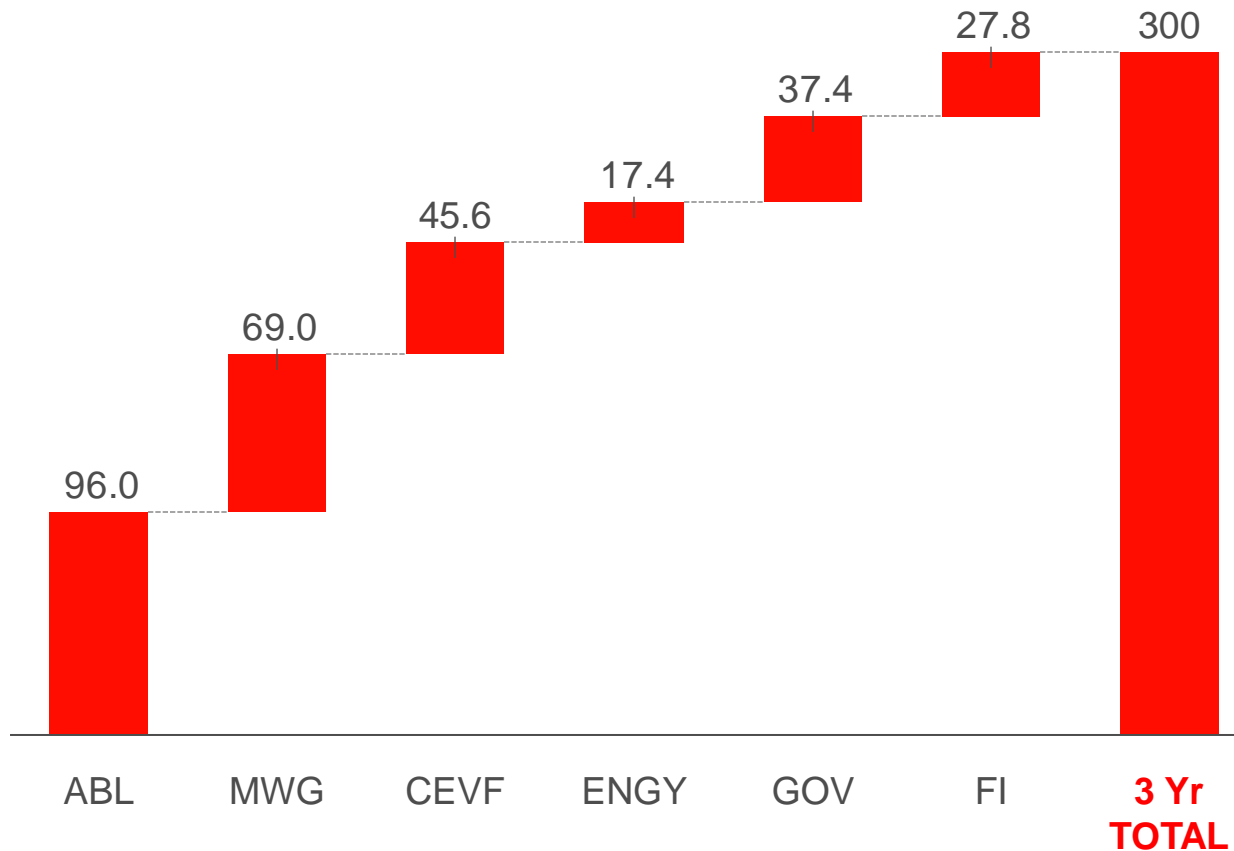


2016 Outlook vs 2013E

- Substantial growth in BAU for MWG due to recent Dallas office
- BAU growth in Government due to funding curves in 2016

Initiatives growth by business (2014 – 2016)

Revenue, \$MM



2016 Outlook vs 2013E

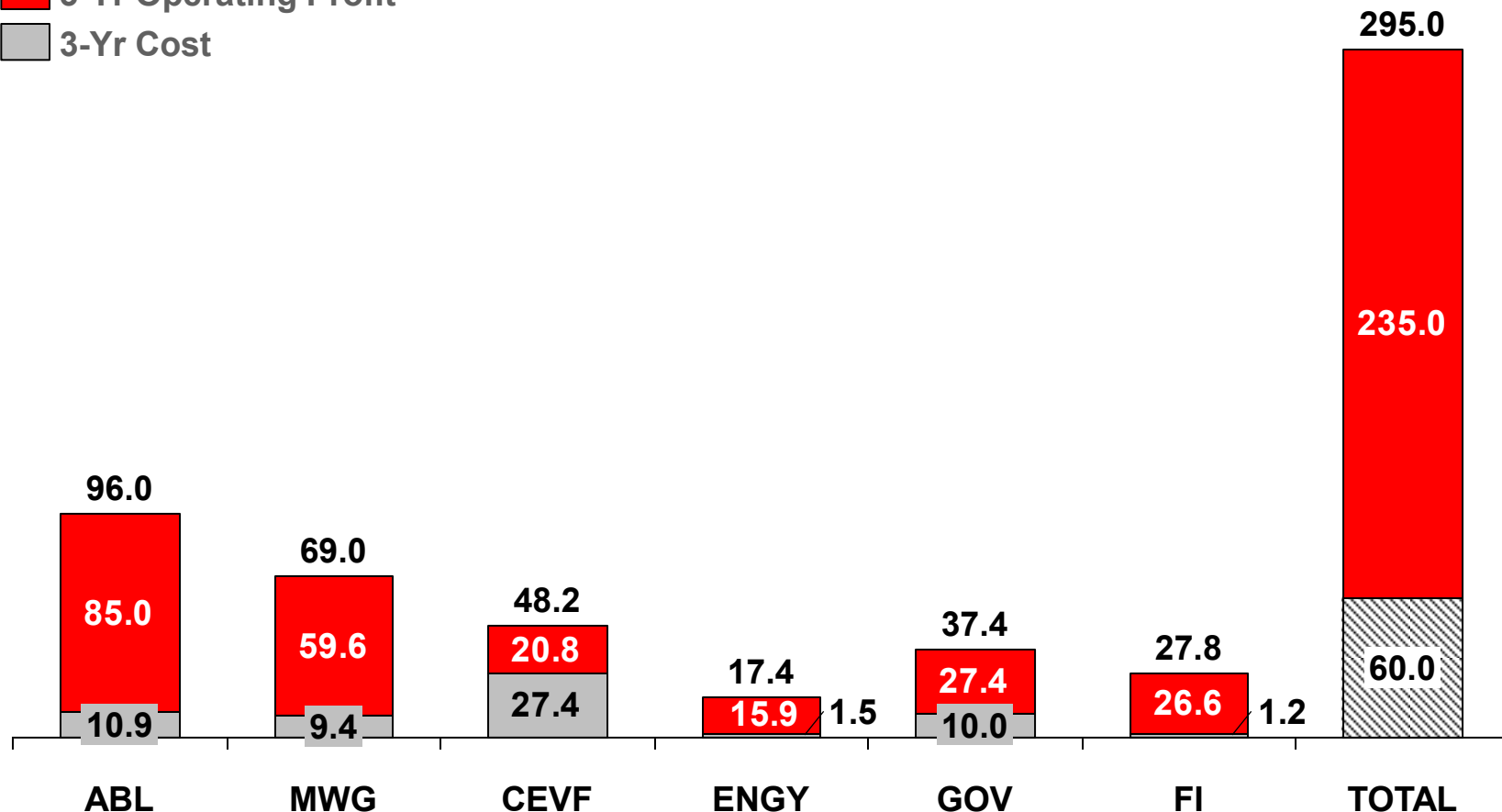
- Will generate an additional **\$300M in total cumulative income** by year 3
- 21% of revenue to achieved in fee income

Initiatives Net Profitability

The initiatives will generate \$230m+ in operating profits in just over 3 yrs...

■ 3-Yr Operating Profit

■ 3-Yr Cost

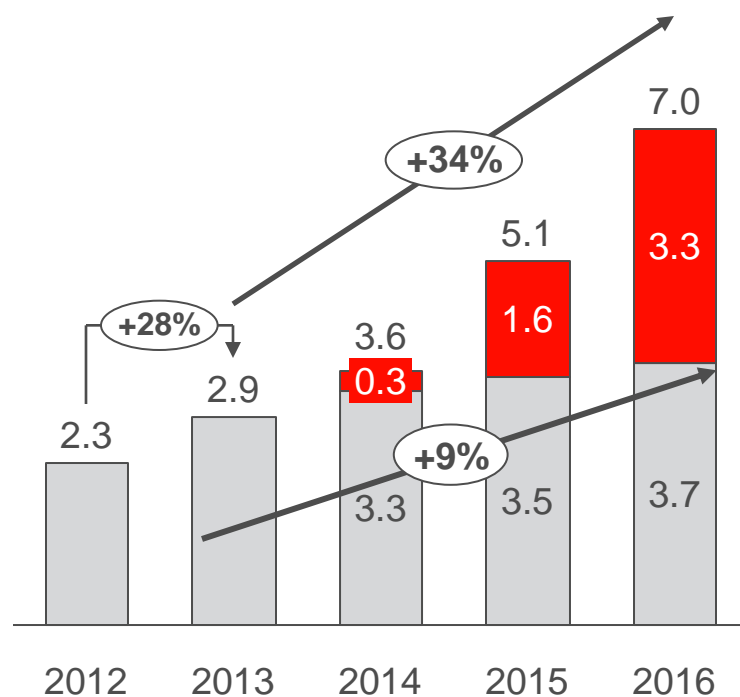


Revenue, \$MM

Balance sheet growth (2012 – 2016)

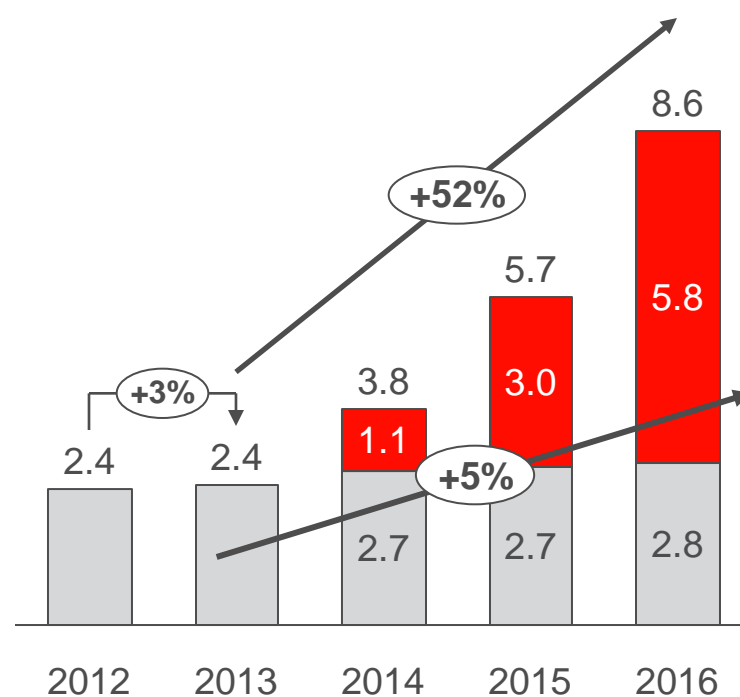
Loans

INITIATIVES
BAU



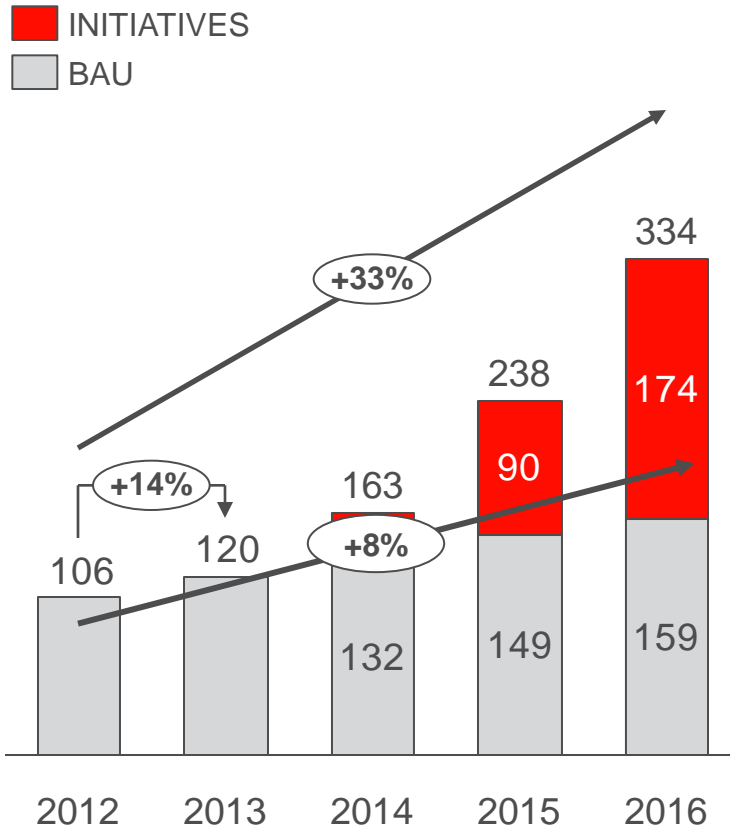
Deposits

INITIATIVES
BAU



Revenue growth (2012 – 2016)

Revenue



Key Initiatives

- 1 Substantial growth achieved through investment in people, IT and risk policies.
- 2 For individual initiatives refer to each business unit section for specific plans and dependencies.