

Specialty Finance: Business Units

2016 Strategic Plan

Boston – June 2013

Mortgage Warehouse Group

2016 Strategic Plan

Boston – June 2013



Agenda

Market Environment & Competitive Landscape

Business Unit Background

Business Plan 2014-2016

Key Conclusions

Appendix

Market Environment

Increasingly competitive and fragmented market

Market Trends

① Decreasing mortgage originations:

- 2013 projected originations (\$1.45 Tn) down 17.50% from 2012 (\$1.75 Tn)
- 2014 projected originations (\$1.1 Tn) down 24.1% from 2013
- But Mortgage Warehouse lending capacity is ~200% up since 2009

② Turnover amongst market players – new entrants into space

- Wall street and money center banks are re-entering the business
- Existing lenders are seeking growth
- Regulatory treatment of repurchase structure may create opportunity for Sovereign

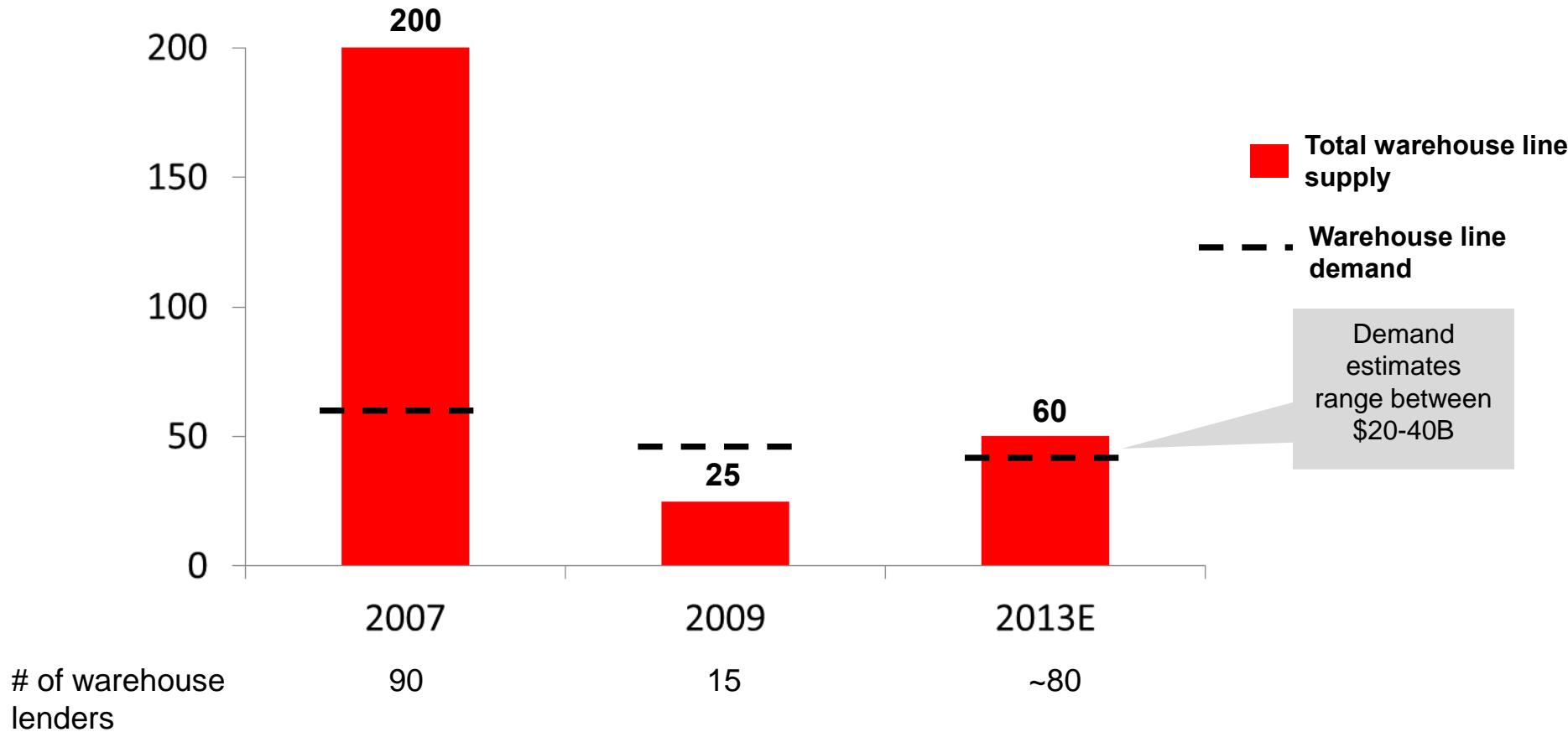
③ High spreads compared to industry standards, but expected to compress due to higher competition

- Sovereign currently holds 336bps average spread over 30 day LIBOR and 321bps weighted average spread
- **Such spread may decrease to 250 - 275bps**

Historical Market Size

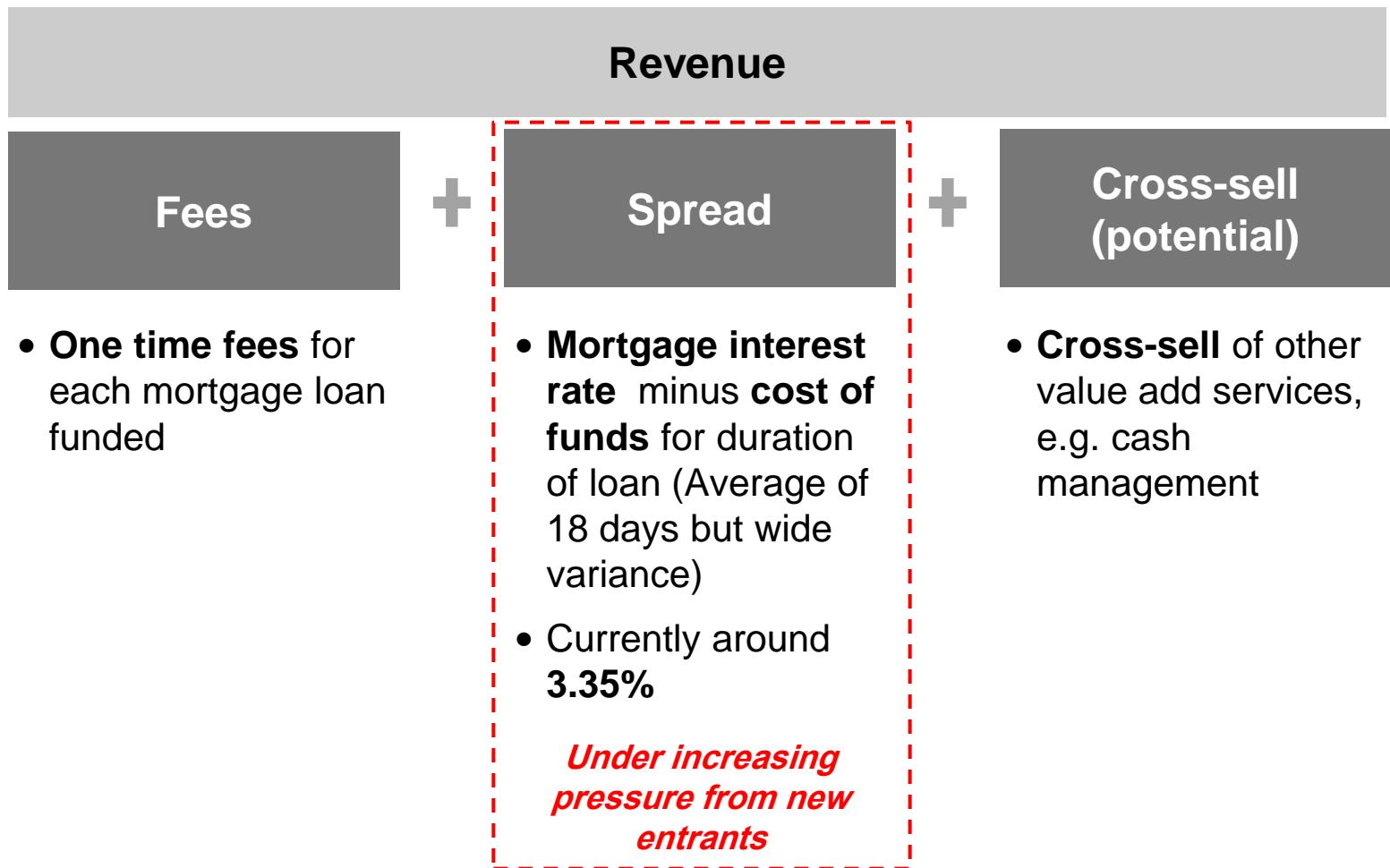
Warehouse Lending industry shrank dramatically with the 2008 housing crisis, but supply has picked up recently

U.S warehouse lending capacity (commitments \$Bn's)



Mortgage Warehouse Market Economics

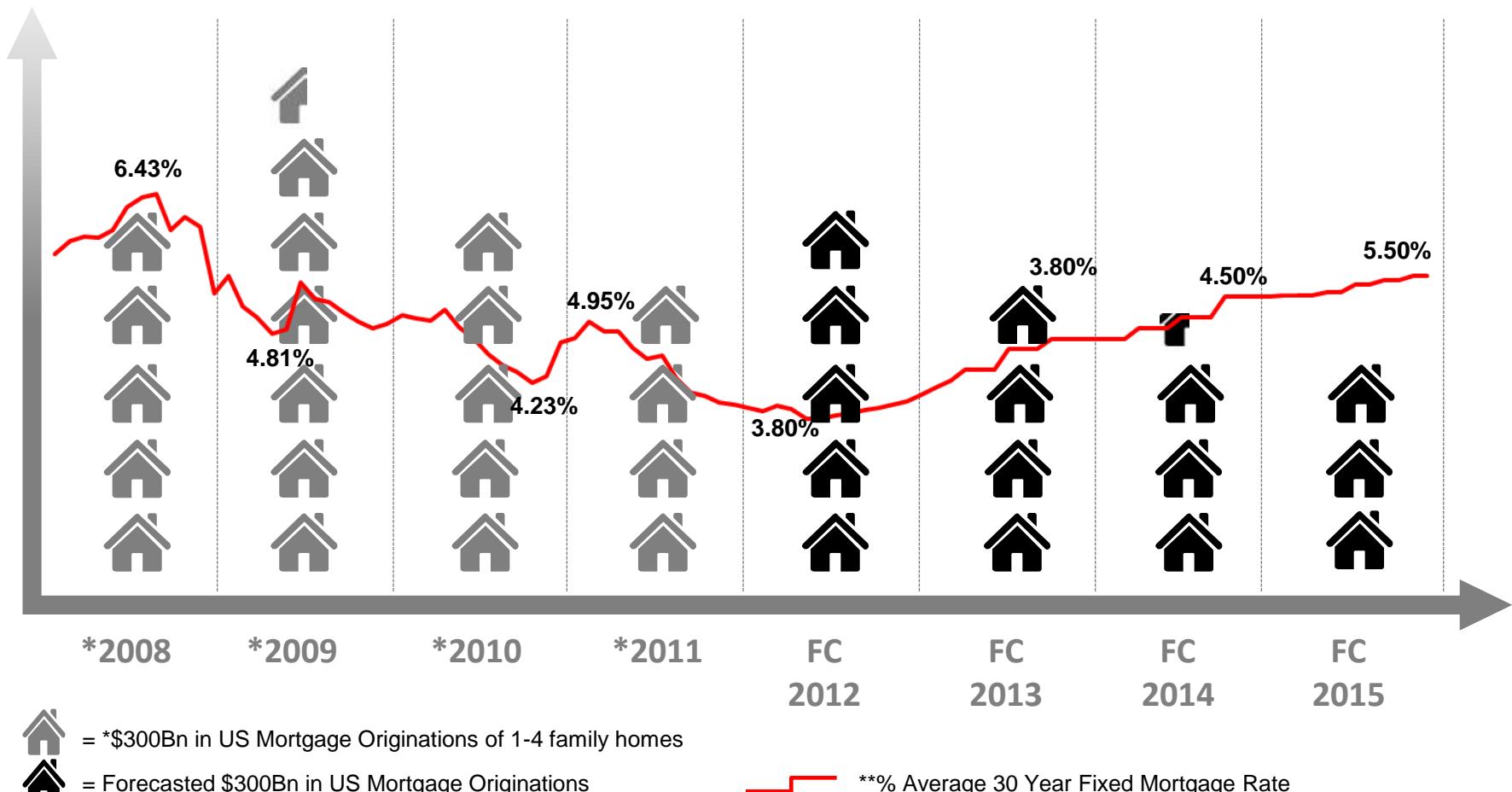
Increasing supply along with slow growth in demand will place pressure on interest rate spreads and revenue



Source: Lit search, expert interviews

Interest Rate Effects on Mortgage Originations

Volatility in interest rates affects mortgage volumes. As rates increase originations decrease.



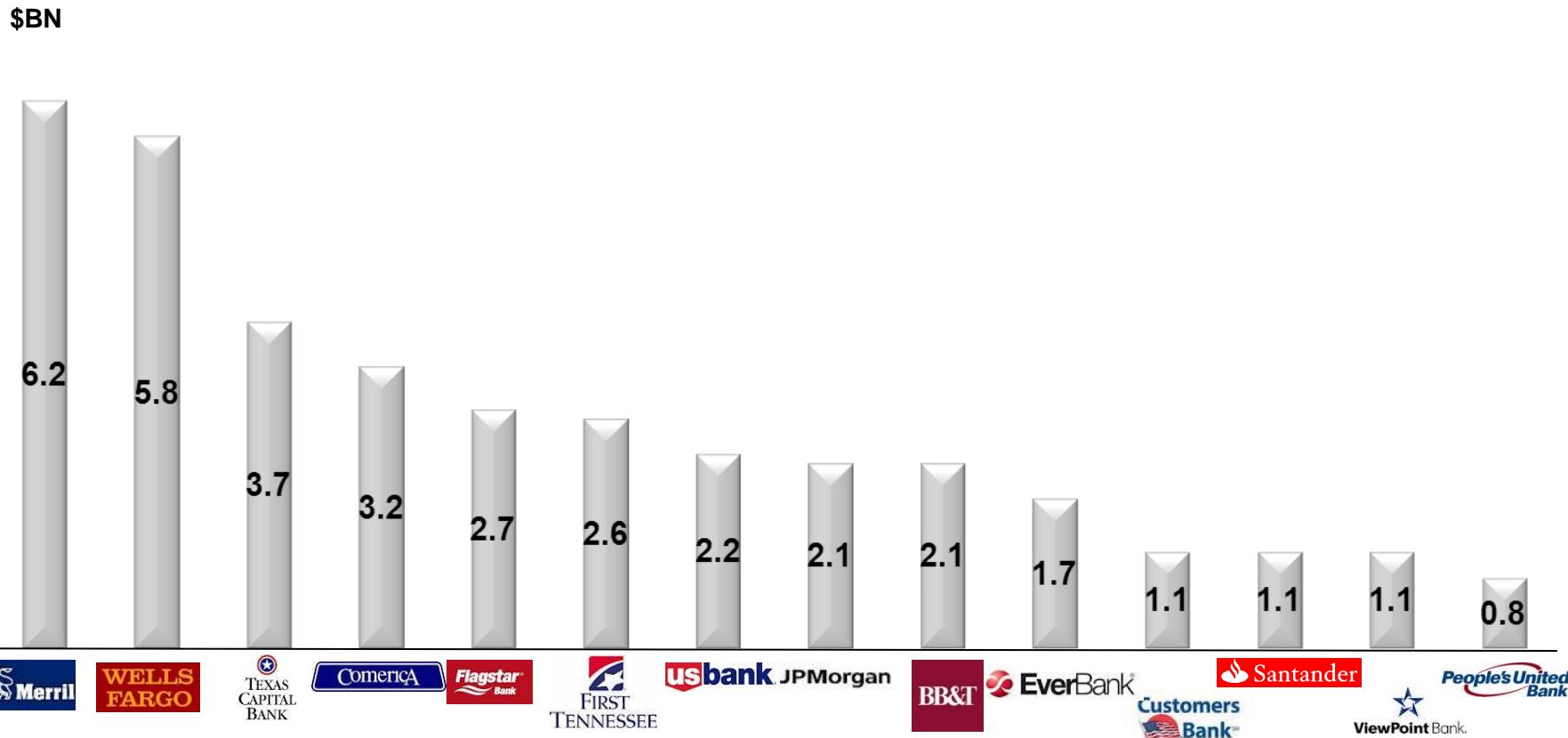
Source: *Mortgage Bankers Association

** Freddie Mac

Competitive Landscape - Players

Santander's peer group includes a wide range of banks, some of whom are competitors across business lines and many of whom are only competitors in warehouse lending.....

Mortgage Warehouse Commitments as of 3/31/13 of Key Competitors



Mortgage Warehouse Group – Peer Comparison



Comerica

System/IT:	ProMerit v 4.126	ProMerit.net
Current Commitments:	\$1.1Bn	\$3.2Bn
Current Utilization:	46%	45%
Hold size:	\$50MM	\$70MM
Structure:	Line of Credit or MRA	Line of Credit or MRA
Pricing / File Fees:	LIBOR+ margin / \$75	LIBOR+ margin / \$30 (<i>lowest in industry</i>)
Legal:	External, charge legal fees to customers (currently under revision)	External, charged to customer
Shipping:	Require notes to be shipped directly to Sovereign from the closing table	Permit notes to go back to the client from the closing table before Comerica
Bulge Policy	Permanent 10% increase allowed w/Reg Credit Dir signature. NILO & compliance documents must be prepared	Permits covenant compliant customers twice a year to secure same-day 20% line increases that are good for up to 60 days
Credit:	Shared resources	Dedicated resources
Operations:	Centralized	Centralized
Sales:	Regional offices – In footprint	Decentralized - National

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Mortgage Warehouse Group

Business Overview

- Profitable business line with low historical default rate
- Revenue driven by fee income, interest on outstanding balances and cash management and deposit cross sales
- Lend only on forward mortgages - no servicing rights or reverse mortgages as collateral

Customer Selection

- Currently seeking profitable Mortgage Bankers for commitments ranging from \$5MM to \$50MM
- Mortgage bankers usually use 1-3 Banks to provide warehouse lending facilities. We seek to position ourselves as the primary Bank whether possible
- Work with peer institutions to assemble larger participation or syndicated facilities

Business Development

- Opening Dallas office with 3 RM's
- Increase in pipeline is estimated at ~ \$200MM in new exposure with a high probability of closing
- Currently negotiating 2 new syndicated transactions to close in Q3

Mortgage Warehouse Organization as of May 31, 2013

Stephen Wojnar
 Market Leader
Budget \$640 MM Outstandings / \$23.6 MM Rev
***Exposure \$1.1BN Outstandings \$540MM**
48 Clients 120 Prospects
****4 Bankers**

New England
 Jerami Marshal
***Exposure \$286.4MM**
O/S \$118MM
13 Clients 30 Prospects

Mid Atlantic
 Jeff Bonner
Exposure \$167.5MM
O/S \$102MM
6 Clients 40 Prospects

New York/ New Jersey
 Bob Wainright
***Exposure \$286.5MM**
O/S \$153MM
15 Clients 10 Prospects

New York/ New Jersey
 Mohamed Najam
***Exposure \$325MM**
O/S \$171MM
13 Clients 10 Prospects

Credit Risk Mgmt

Underwriting of new and renewal deals, monitoring and portfolio management

Mortgage Warehouse Group Loan Operations

New bookings, advances, payoffs, curtailments, billing, collections and general customer service

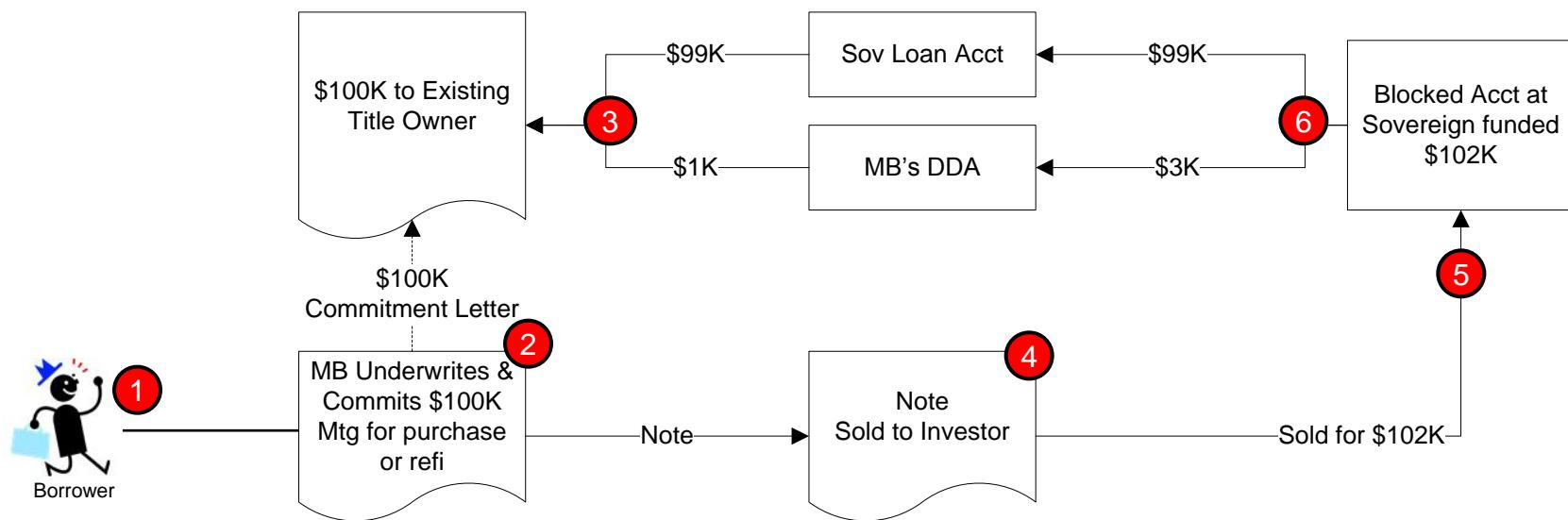
Cash Management

Sales, Implementation & Support

**Type A Exposure Only , excludes Workout*

***3 new hires starting Q3/Q4 '13 in Dallas office*

Mortgage Banker – Transaction Example



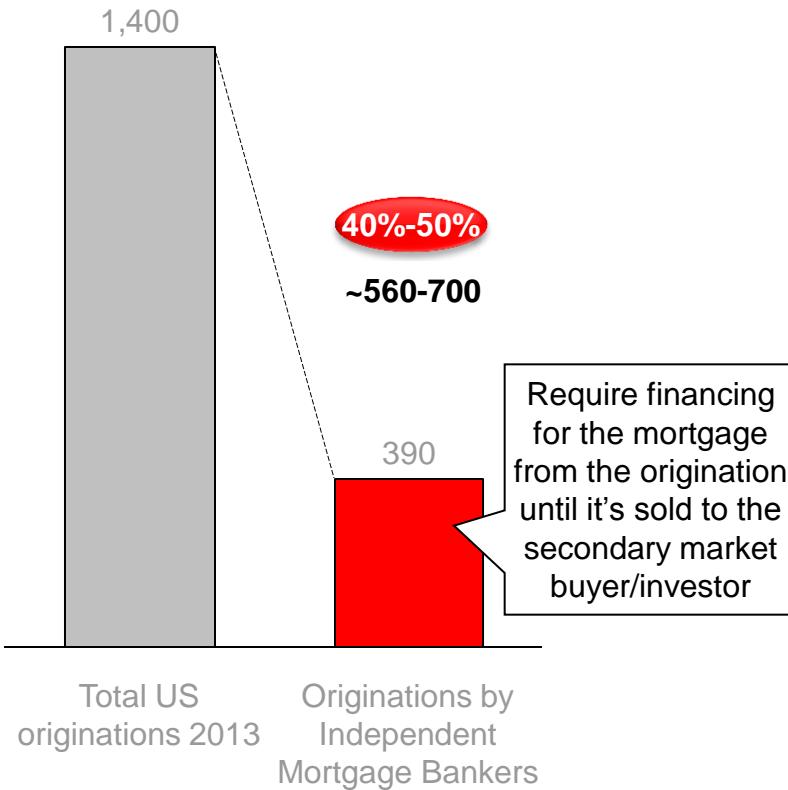
Mortgage Banker Transaction Example

1. Retail Customer will request a mortgage.
 2. Mortgage Banker underwrites to Investor's criteria; schedules closing; lock rates with Investors (on most cases), complete transaction with customer.
 3. Existing owner receives 100K for the sale. MB pays 1% (\$1K) and Sovereign pays 99% (\$99K).
 4. Note is sent to investor for review.
 5. Upon acceptance, Investor will pay MB a premium of 102K for the mortgage note. These funds will be sent a blocked account at Sovereign.
 6. From the funds, Sovereign will pay down its loan advance (\$99K) and send the \$3K difference to the MB's DDA.
 7. Sovereign will charge its Customer for interest rate and fees at month end.

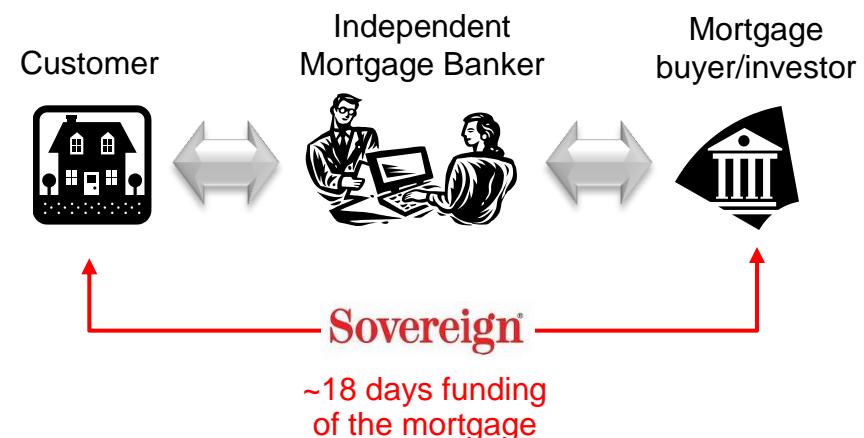
Mortgage Warehouse - Business Overview

Sovereign provides loans in the Mortgage Warehouse niche market

US mortgage origination market (\$1.4Tn)



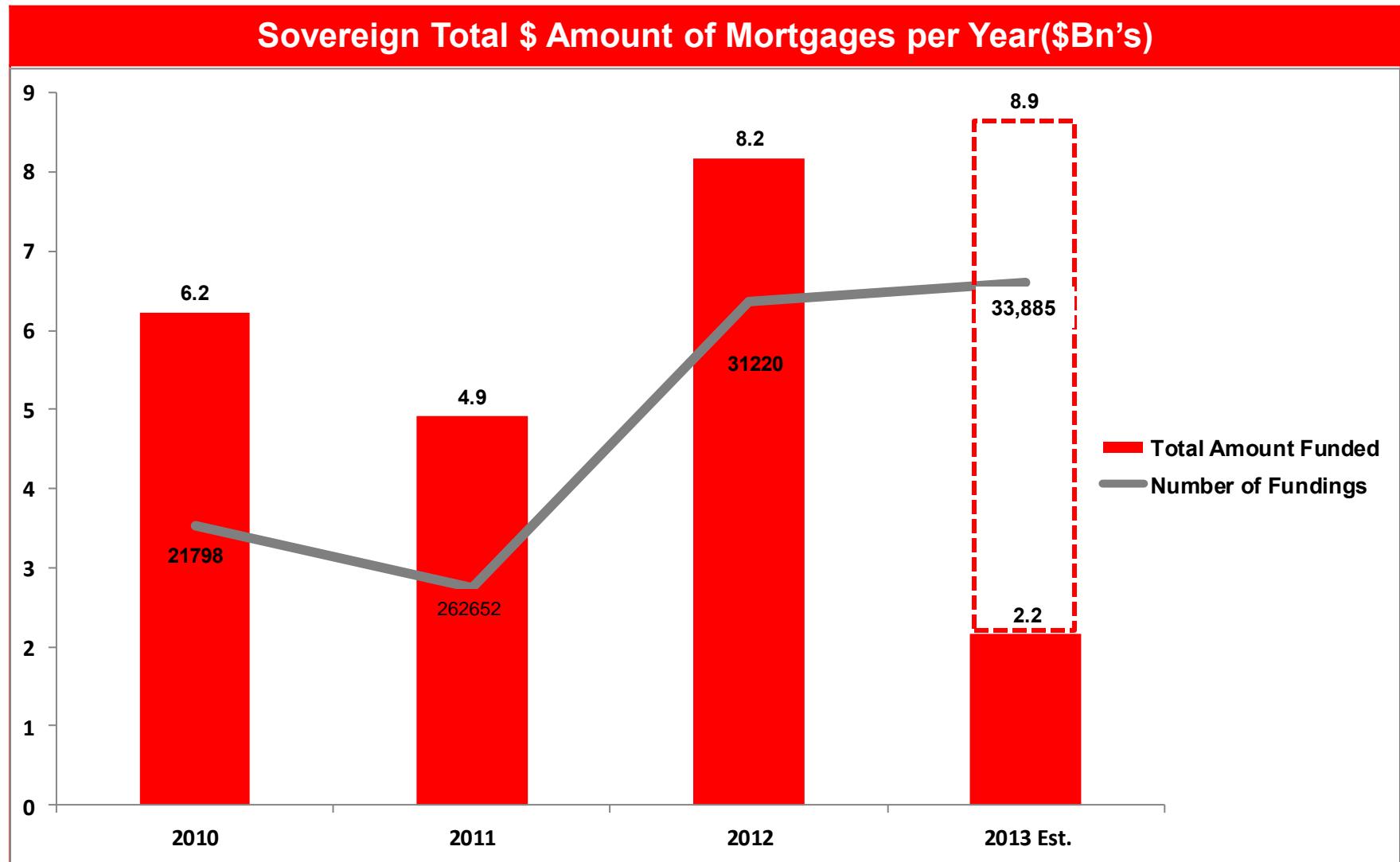
Operation overview



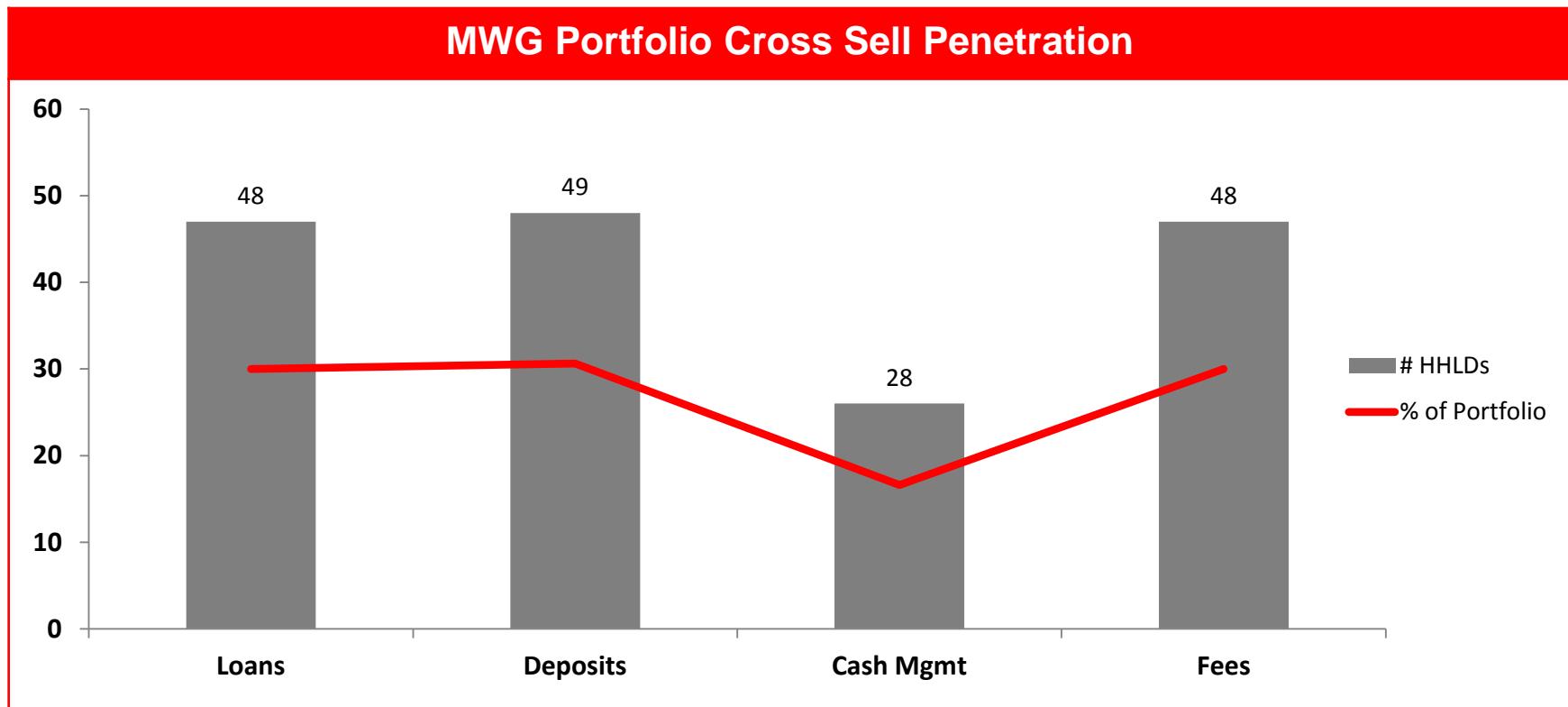
- Independent Mortgage Bankers sell the mortgage to the final investor
 - 1% of the mortgage funding provided by the banker
 - 99% pending funded by the Mortgage Warehouse market
- It takes an average of 18 days for the Independent Mortgage Banker to sell the mortgage in the secondary market to the final investor

Source: Mortgage Bankers Association

Mortgage Warehouse Lending



Cross Sell Penetration



- Cash Management – all accounts will have a DDA to be used solely for wiring funds related to MW transactions. This account will not have checks associated with it.
- Deposits – seek further penetration. Often compete with other existing MW Lenders for this product.
- Club deals – seek penetration

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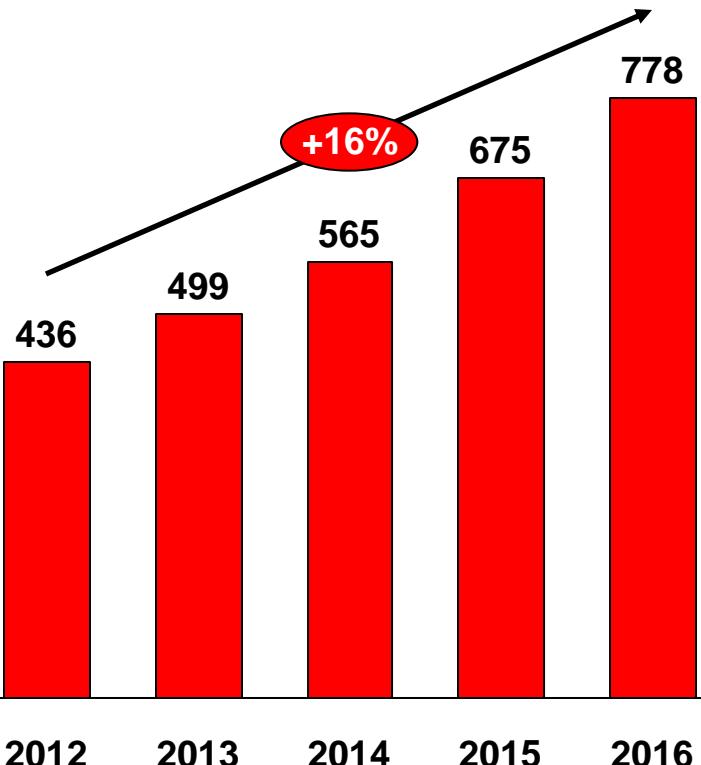
- Business-as-Usual
- Initiatives
- Consolidated Plan

Key Conclusions

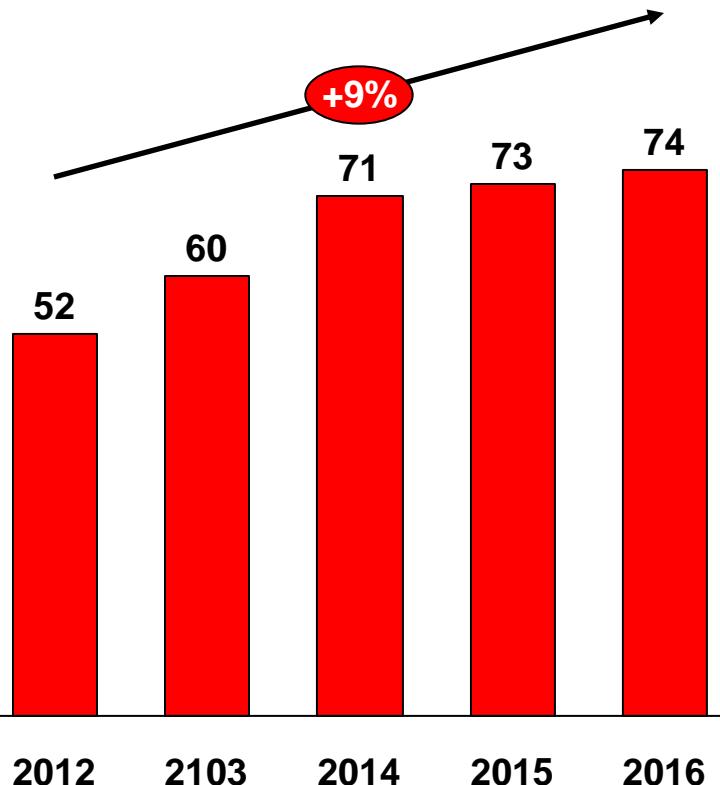
Appendix

BAU: Balance Sheet

Loan Outstanding* 2012-2016 (\$MM)

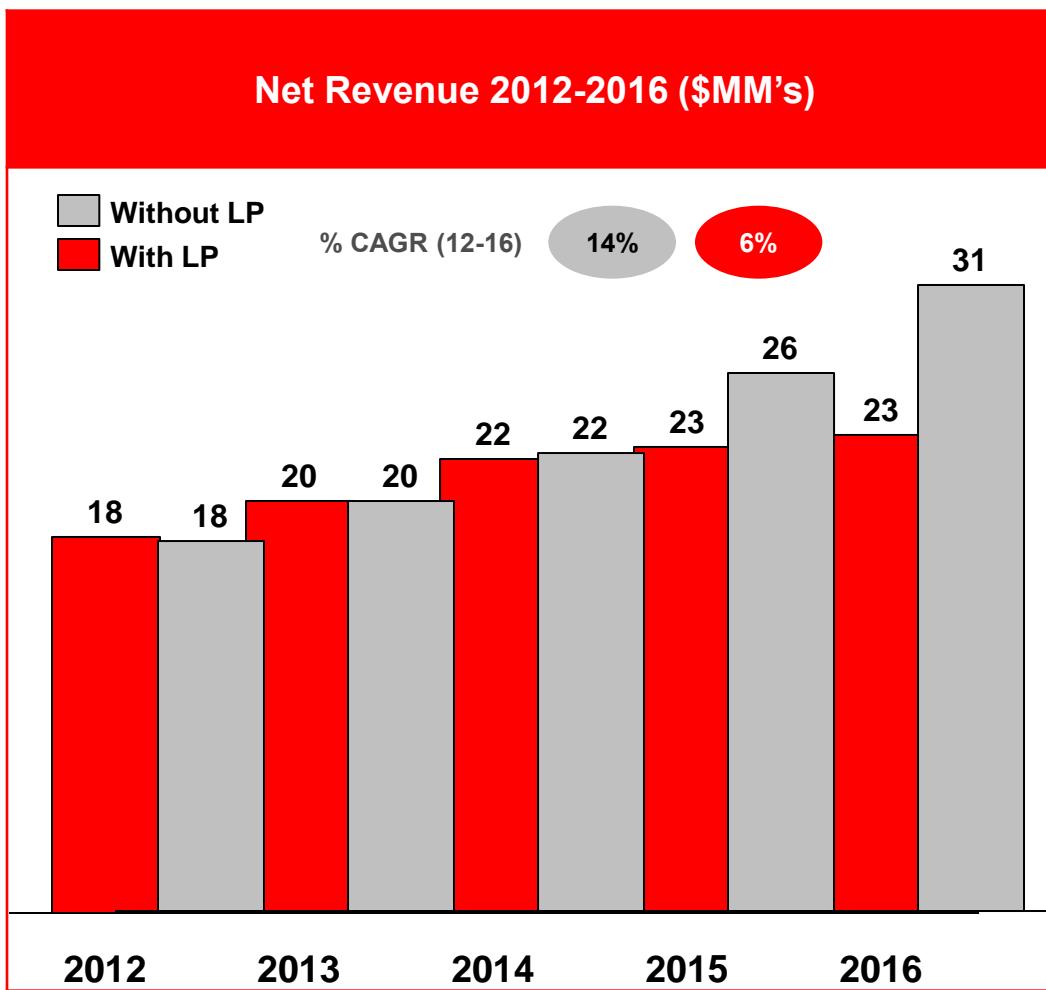


Deposit Balances 2012-2016 (\$MM)



Note: Loan balances were calculated on average rather than year end

BAU: Revenues



BAU: Key Initiatives

- The opening of a Dallas office is underway. Hiring of 1 Sr. RM & 1 RM in process. Have requested 1 additional RM & 1 CP.
- Increase in pipeline is estimated at ~ \$200MM in new exposure with a high probability of closing
- Currently negotiating 2 new syndicated transactions to close in Q3

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Summary: 2016 Strategic Initiatives



1

Establish leadership position by up-tiering with quality clients

- 9 clients in our current base have potential to go above \$50MM ceiling
- Up to 30 prospects have potential to go above \$50MM ceiling
- Successfully contracting these opportunities would provide large returns to our balance sheet

2

Continue high quality out of footprint expansion opportunities

- Sovereign is the most geographically concentrated warehouse lender in the industry, with more New England clients than anyone else (66% of market)
- The universe of prospects in the Northeast is limited and there is a need to expand selectively nationwide in order to maintain a growing pipeline and meet projections
- *Dallas is currently underway; (Chicago, Atlanta and San Francisco to follow)*

3

Continue expansion of Community Depository client base

- Adding Community Depositories to the MWG portfolio will increase volume beginning in 2013
- Adding 10 Community Depositories will yield an average of \$40MM in annual income (\$385M in annual interest income and \$55M in annual fee income)- based on an average of \$25MM line per bank

4

Construction Warehouse Lending

- Characteristics: Longer dwell times, Financially strong clients, Lower advance rates, Higher yield, Higher fee
- Participating in this type of lending will provide the group with incremental income beginning in 2013

Establish Leadership Position Through Up-tier



Why Up-Tier?

- **Current ceiling of \$50MM is preventing organic growth with some of the Group's best customers**
- **Retain share with current clients:**
 - 8 clients in our current base have the potential to go above current \$50MM ceiling. 13 clients currently at \$30MM or above
 - 1 Cash Management-only client seeking \$70MM Warehouse line
- **New clients: 30 prospects have the ability to go above \$50MM ceiling**
- **Increasing the hold amount to \$125MM would allow for a \$7MM incremental increase in net revenue as well as an incremental increase of \$274MM in O/S by 2016**
- **Large regional lenders have outsized impact**
- **Merging mid sized lenders' combined needs outstrip our current limits**
- **Growth of many current clients outstrips our current limits**

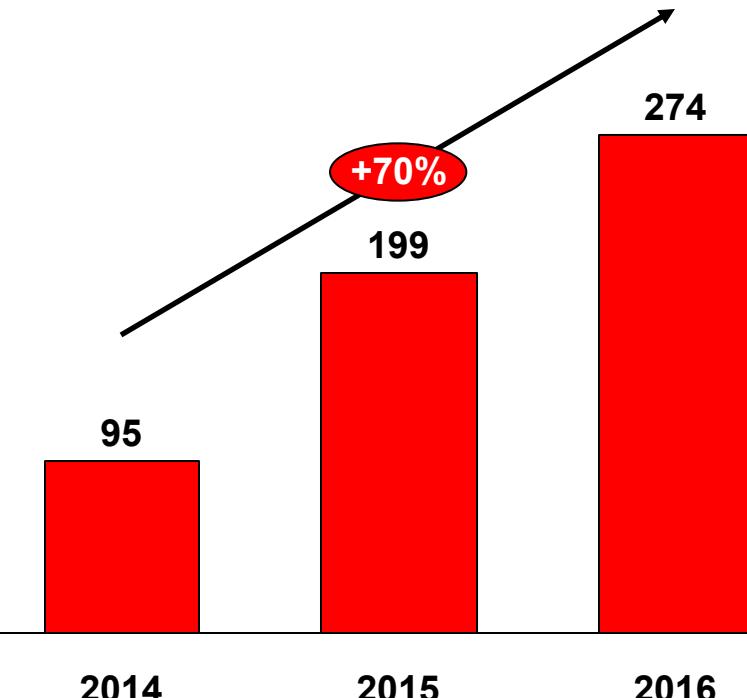
1

Establish Leadership Position Through Up-tier



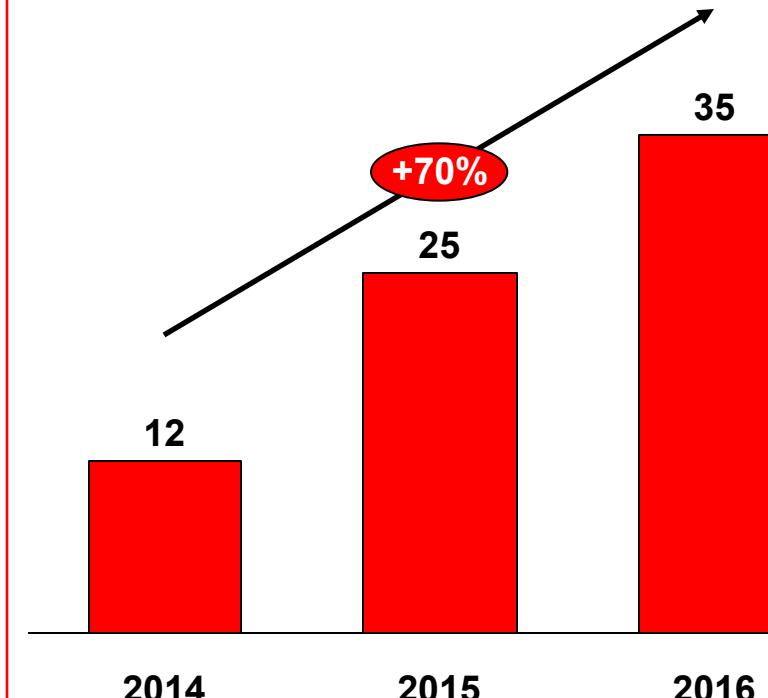
Incremental Loan Outstanding 2013-2016

In \$MM's



Incremental Deposits 2013-2016

In \$MM's



Assumptions:

- O/S based on the assumption that each loan customer will have an average balance of \$9,459,459 . Assumed 29 customers by 2016 year end
- Deposits based on the assumption that each loan customer will have an average balance of \$1,205,235

1

Establish Leadership Position Through Up-tier

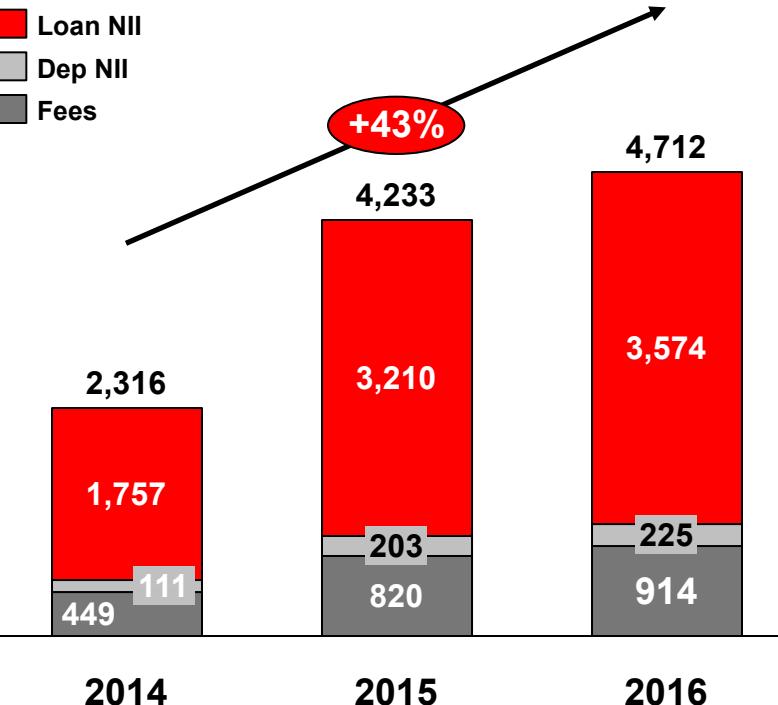


Incremental Net Revenue 2013-2016

In \$M's

- █ Loan NII
- █ Dep NII
- █ Fees

+43%



Assumption:

Revenue based on each existing loan customer producing \$638,808 and each new customer producing \$1,118,200. Assumed 20 new customers and 9 existing customers by 2016 year end

1

Establish Leadership Position Through Up-tier

Resources

- No incremental HC required, however, lending policies need addressing to meet requirements

Possible Risks & Mitigants

- Review of the credit worthiness associated with increasing exposure to high quality clients will remain the same as currently exists with any client:
 - Legal documents, financial review, industry patterns and profitability models will be reviewed by Credit Risk and presented to Santander Credit Committee in the standard manner that is currently in place
 - Existing Santander underwriting analysis and due diligence practices will be applied to customers and prospects in which we wish to up-tier

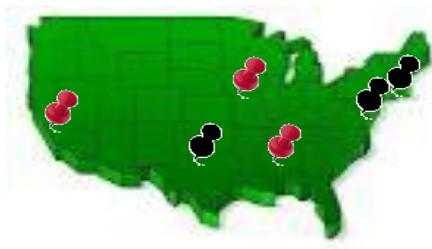
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Continue Out of Footprint Expansion Opportunities



Why Expand?

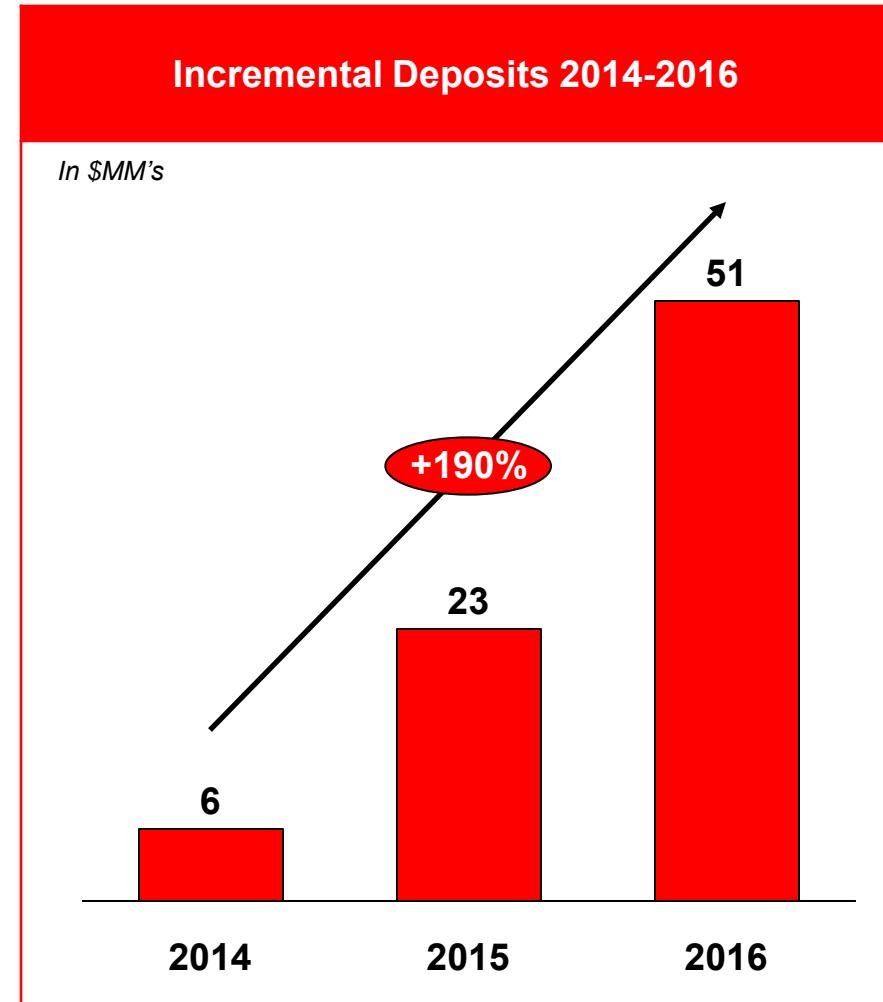
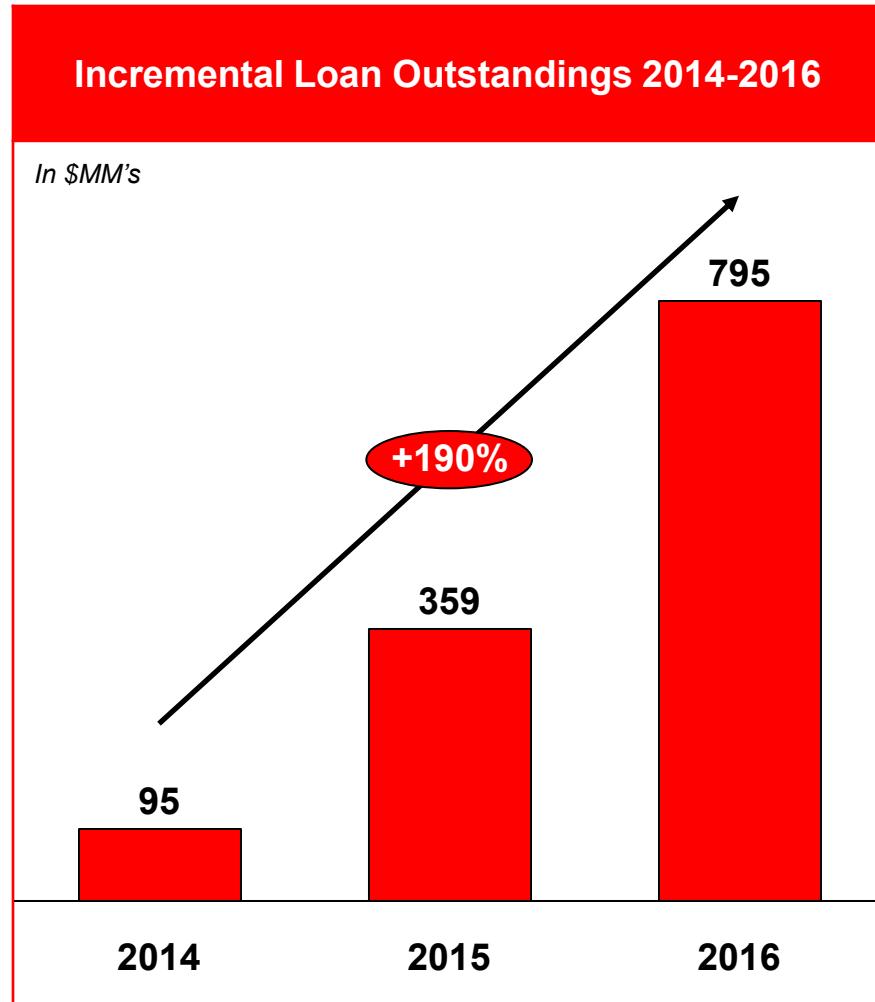
- Sovereign is the most geographically concentrated warehouse lender in the industry, with more Northeastern clients than anyone else.
 - Sovereign's current market share is 66% in the New England
- The universe of prospects in the Northeast is limited and there is a need to expand selectively nationwide in order to maintain a growing pipeline and meet projections.
- Building a presence in key regions is critical in order to obtain critical mass of prospects and prospect clientele. Dallas is the first regional expansion.



Targeted Markets

- The markets targeted are the geographic epicenters of key regions in which Sovereign can gain critical mass
 - Dallas: Q3'13
 - Chicago: Q2'14
 - Atlanta: Q1'15
 - San Francisco: Q4'15
- If fully implemented, would bring \$57.9MM in incremental revenue by 2016

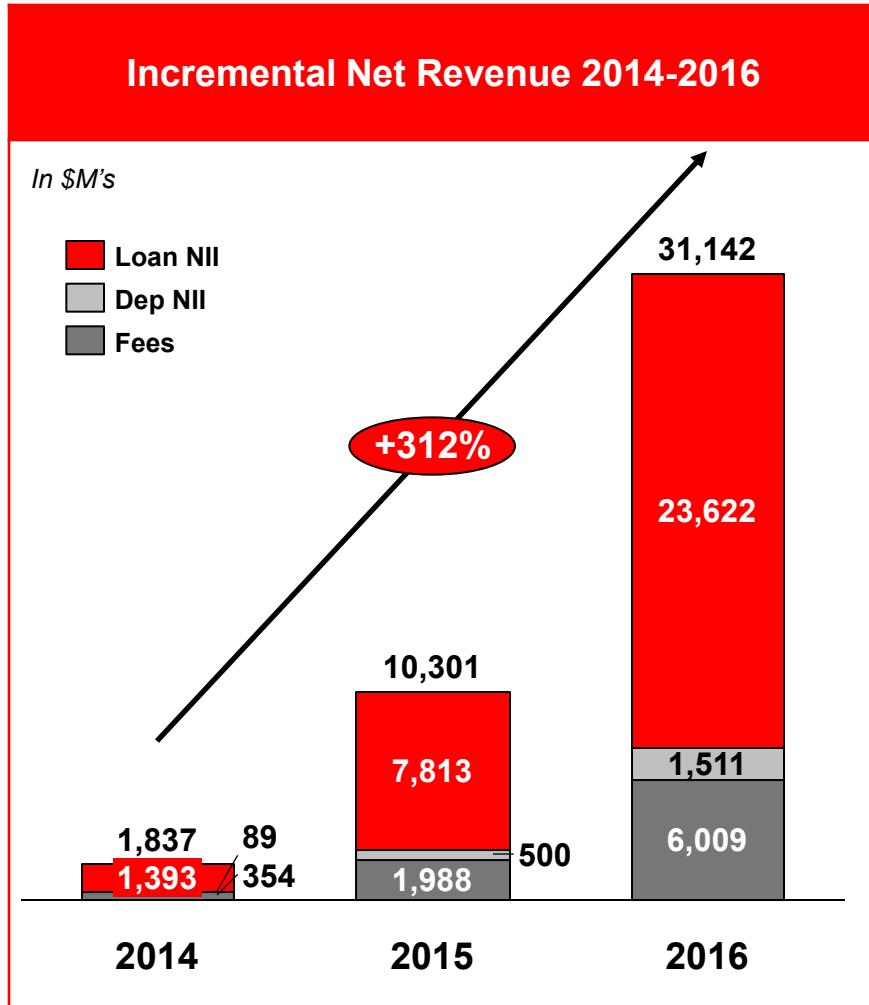
2 Continue Out of Footprint Expansion Opportunities



Assumptions:

- O/S based on average of existing loan customers producing \$9,459,459 (assumed 84 2016 year end)
- Deposits based on average of existing loan customers producing \$1,205,235

2 Continue Out of Footprint Expansion Opportunities



Assumptions:

- Revenue based on the assumption that each loan customer will bring \$281,214 in revenue. Assumed 84 customers by 2016 year end from all combined markets

2 Continue Out of Footprint Expansion Opportunities



Resources

People	Division	Function	Area to support	Number of FTEs	2014	2015	2016	Estimated cost per HC per Year
	Credit Risk	Credit Professional	Mortgage Warehouse	4	1	2	1	TBD
	Operations	Loan Administrator	Mortgage Warehouse	12	3	5	4	TBD
	Sales	Relationship Manager	Mortgage Warehouse	12	3	5	4	\$3.6MM
	TOTAL			28	5	9	8	
	Facilities (offices)	New Offices	Mortgage Warehouse	4 offices	2	1	0	\$XX

Possible Risks & Mitigants

- Sovereign is the most geographically concentrated warehouse lender in the business. With 49 clients in the Northeast, we have a deeply embedded in the local industry, which sets us apart
- Expanding geographically will reduce our concentration risk, balancing our portfolio among geographies and helping to diversify us away from such risks such as Hurricane Sandy presented in October 2012

* Cost based upon the assumption of \$300M per FTE which was approved in the 2012 strategic plan

3

Expansion of Community Depository Client Base



Why Lend to
Community
Depositories?

- **Increase volume beginning in 2013**
 - Upon full implementation, increase in Mortgage Warehouse Group exposure is estimated at \$350MM
- **Increased revenue will be driven by fee income and interest on outstanding balances of community bank warehouse lines of credit**
- **Warehouse facilities considered under either a Warehouse Line Of Credit or Master Repurchase Agreement structure**

Target Clientele

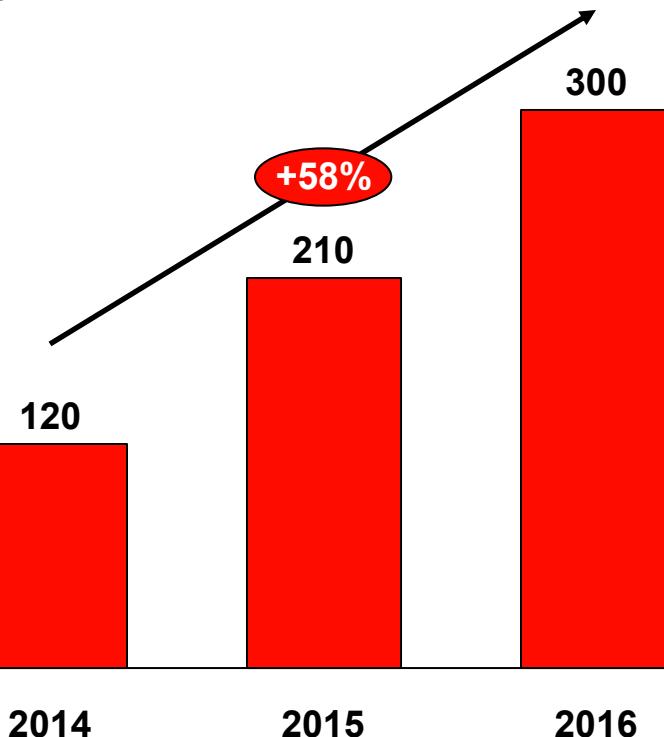
- Currently seeking profitable small to midsize community depositories for warehouse line commitments ranging from \$10MM - \$25MM
- Community depositories are experienced industry participants and also have the ability to portfolio a loan should the need arise
- Of the top mortgage lenders, community depositories represent 38% of mortgage lenders funding residential mortgage loans

Expansion of Community Depository Client Base



Incremental Loan Outstandings

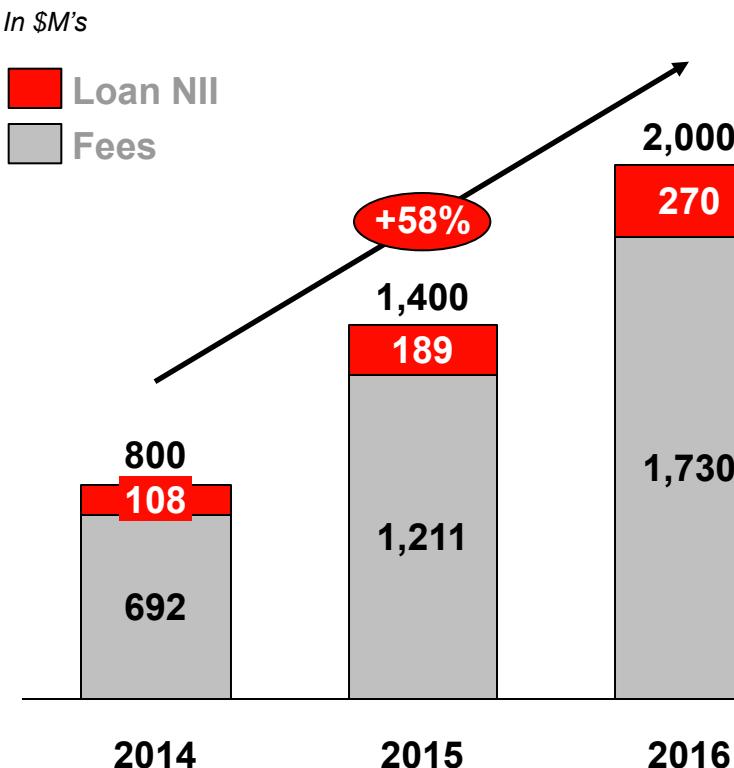
In \$MM's



Incremental Net Revenue

In \$M's

■ Loan NII
■ Fees



Assumptions:

- O/S based on average of \$25MM lines at 60% utilization. Assumed 20 deals by 2016 year end.
- Revenue based on \$100M per deal in 2013 (2 deals) & \$400M per deal in 14', 15' 16' (6 deals per year).
Loan NII represents 86% of revenue and Fees represent 13.5%

3

Expansion of Community Depository Client Base



Resources

Division	Function	Area to support	Number of FTEs	2014	2015	2016	Estimated cost per HC per Year
Credit Risk	Credit Professional	Mortgage Warehouse/ FI	2	1	0	1	TBD
TOTAL			2	1	0	1	TBD

Possible Risks & Mitigants

- Review of the credit worthiness associated in adding community depositories to the MWG will remain the same as currently exists with any client
- Regulators (i.e. OCC) have advised many community depositories that they should obtain outside sources of financing for their residential mortgage loans
- Regular federal and state regulatory audits of community depositories provide for an additional layer of review in monitoring loans originated by the community bank

Note: Existing RMs will solicit and service new community depository customers

4 Construction Warehouse Lending



Why Participate in Construction Warehouse Lending?

- Refinances are dwindling as purchase volume increases. New homes are a significant portion of purchase volume
- Mortgage companies with homebuilder referral sources or homebuilders with mortgage companies are target clients

Lending Process

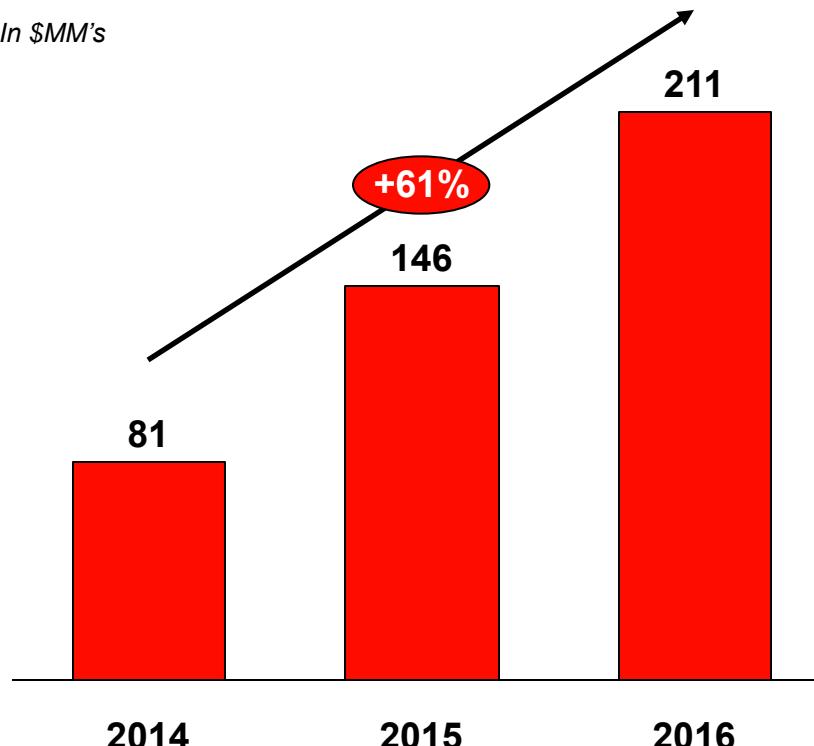
- Construction loan paid off with proceeds of conventional mortgage when house is complete
- Construction loan is warehoused with lower advance rate, higher yield, multiple (usually 3) draws and draw fees during the construction process
- Conventional mortgage warehoused in traditional method

4 Construction Warehouse Lending



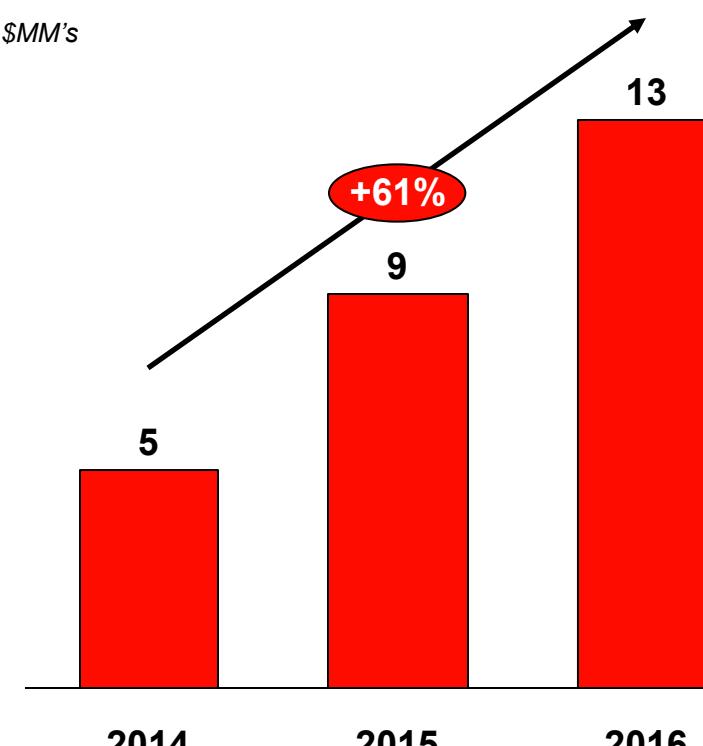
Incremental Loan Outstanding 2013-2016

In \$MM's



Incremental Deposits 2013-2016

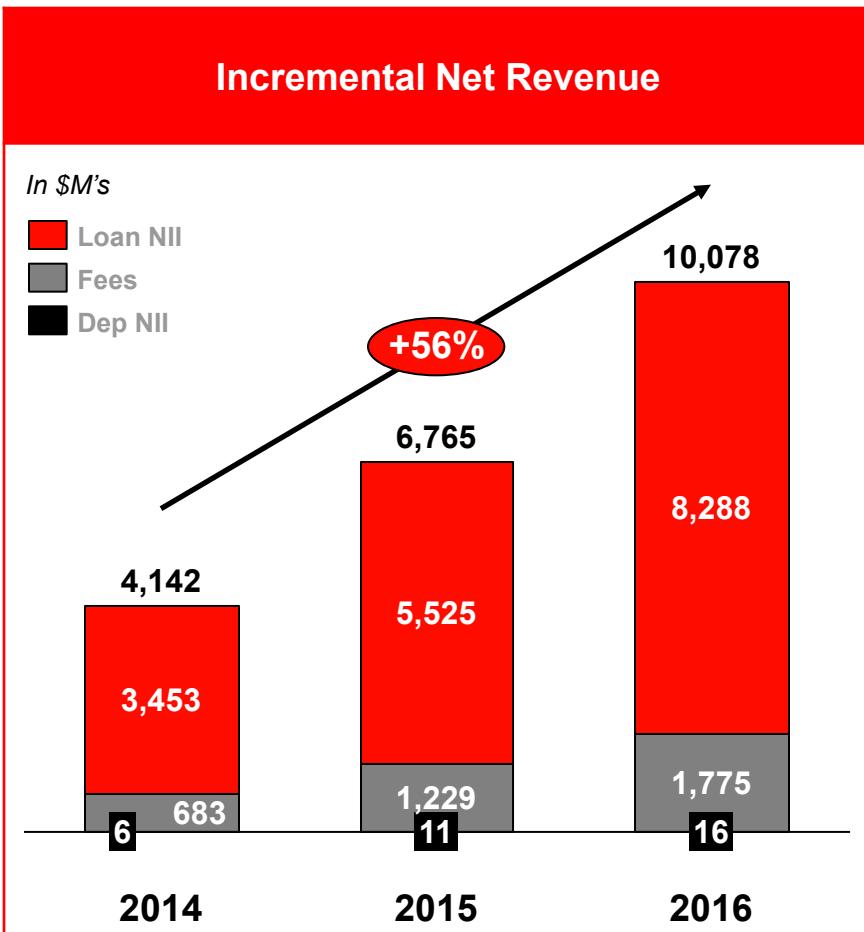
In \$MM's



Assumptions:

- O/S based on average line size of \$25MM with 65% utilization. Assume 1 deal in '13 and 4 deals in '14,'15 and '16
- Deposits based on \$1MM balance for each loan customer

4 Construction Warehouse Lending



Assumption:

- Loan NII based on 4.25% spread on O/S
- Fee revenue based on \$2,50 per deal
- Deposit NII based on \$1,263 per deal

Construction Warehouse Lending



Resources

- No incremental HC required, however, lending policies need addressing to meet requirements
 - Existing RM's will solicit and service new construction warehouse lending

Possible Risks & Mitigants

- Different risk from conventional warehouse lending because the house securing the note (construction note is collateral) is under construction
- Risks mitigated through client selection and underwriting, builder underwriting and lower advance rates

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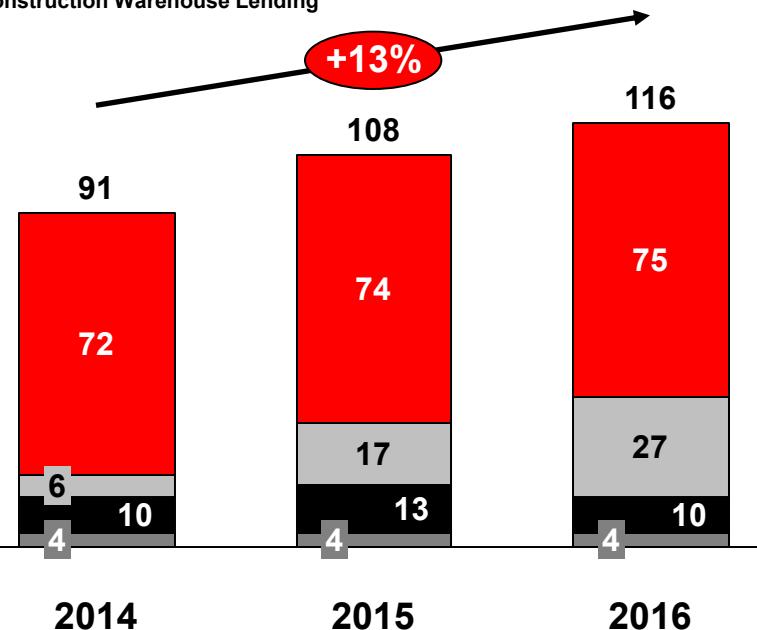
Key Conclusions

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Mortgage Warehouse 2016 Plan

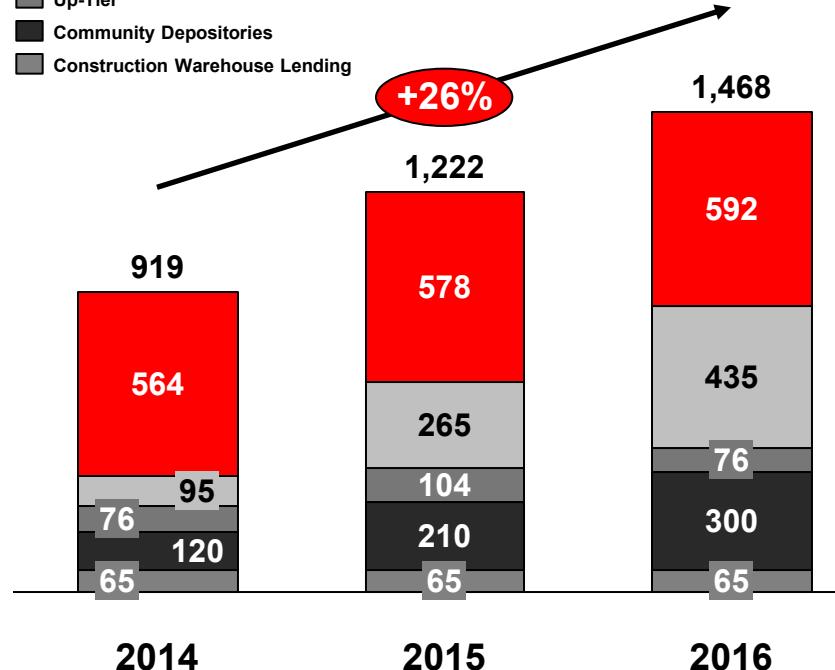
Deposit Balances 2013-2016 (\$MM)

- █ BAU
- █ Out of Footprint Expansion
- █ Up-Tier
- █ Construction Warehouse Lending



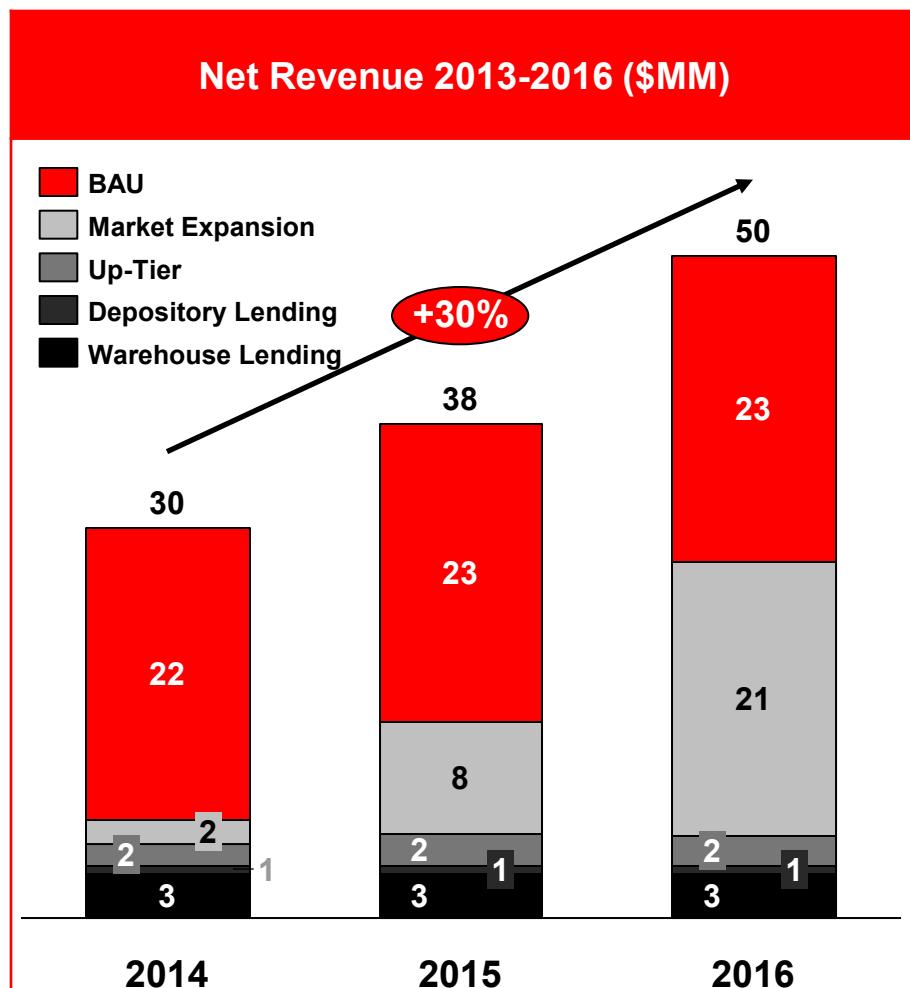
Loan Outstanding 2013-2016 (\$MM)

- █ BAU
- █ Out of Footprint Expansion
- █ Up-Tier
- █ Community Depositories
- █ Construction Warehouse Lending

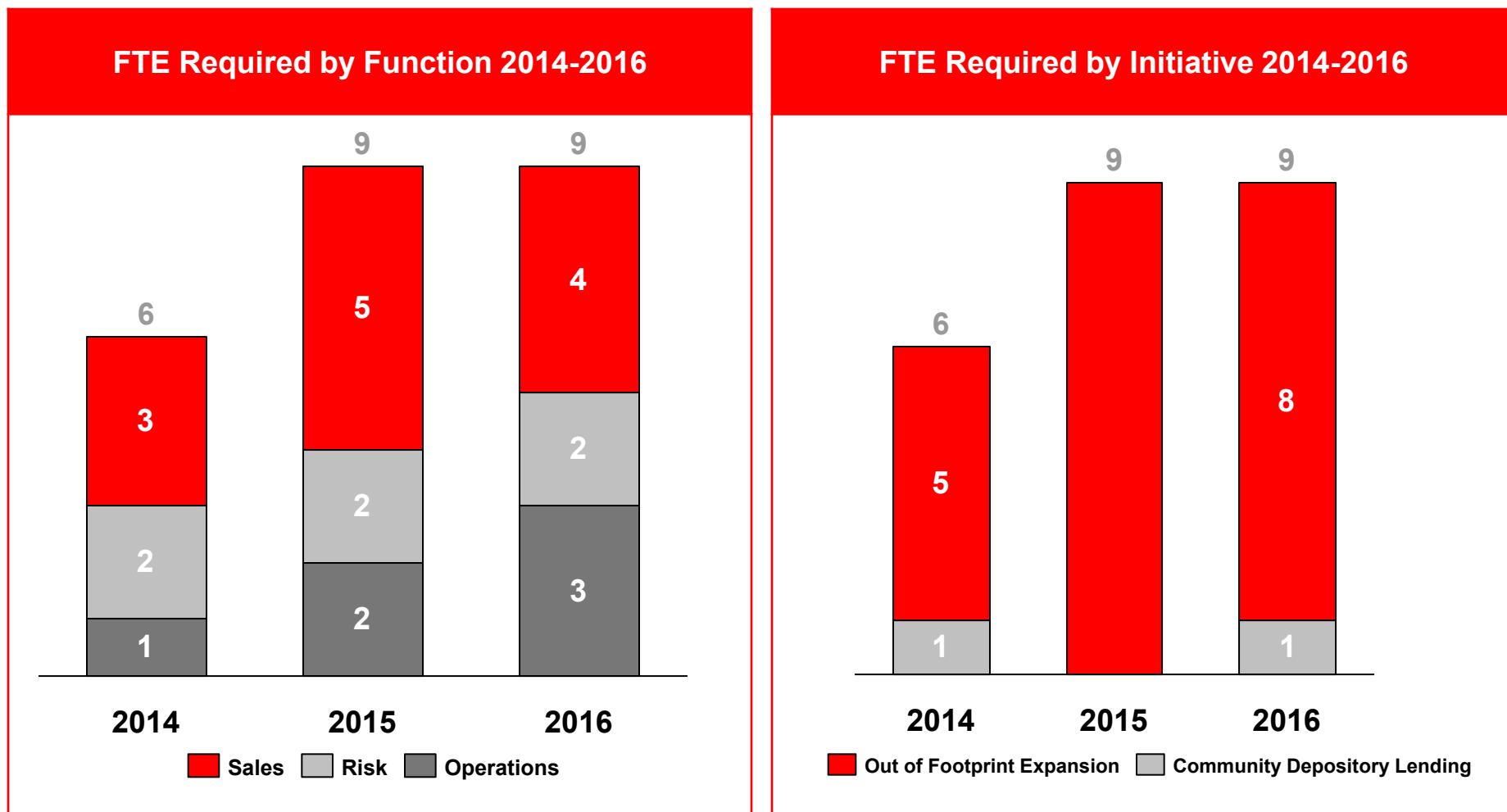


With initiatives the portfolio will double by 2016...

Mortgage Warehouse 2016 Plan



Strategic Plan- FTE Required



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Key Conclusions

- Up-tiering with quality clients will allow the Group to establish leadership positions
- The continuation of participating in high quality out of footprint expansion opportunities reduces the Group's concentration risk
- Expanding our lending capabilities to Community Depositories will increase volume beginning in 2013
- Participating in construction warehouse lending addresses the needs of the market: New homes are a significant portion of purchase volume

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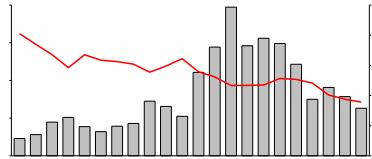
Business Plan 2014-2016

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Mortgage Industry

Mortgage warehouse demand depends on the overall residential mortgage industry, which historically has been highly volatile



Source: FHFA; Freddie Mac; World Bank

Mortgage Warehouse Risk Profile

Despite slow growth and potential pricing pressure, mortgage warehouse risks can be assessed, making it an attractive product when priced and managed appropriately

- Primary risk is present in commercial lending to independent mortgage bankers and only secondarily in underlying mortgages (e.g. in the event of a mortgage banker bankruptcy, when collateral is taken)
- Loans are only maintained on line for an average of 18 days
- Customer relationships are sticky (especially when cross-sold other products), reducing churn and increasing confidence in relationships
- However, proper risk management requires deep industry expertise

Regulation

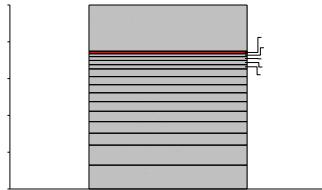
Regulatory forces will continue to directly impact the mortgage warehouse industry

	DESCRIPTION	IMPACT
Dodd-Frank	<ul style="list-style-type: none"> Financial reform bill passed in July 2010 to make financial system more transparent and accountable Implemented stricter underwriting standards on all loans as well as new data collection and reporting requirements for all mortgage lenders 	 <ul style="list-style-type: none"> New legislation will reduce ability to flexibly structure and price mortgages Combined effect will alter economics for all mortgage lenders, both independent mortgage bankers and depositories
HARP 2.0 (Home Affordable Refinance Program)	<ul style="list-style-type: none"> Government refinance program focused on providing assistance to customers who are underwater on conforming mortgage loans 	 <ul style="list-style-type: none"> Ability to solicit own portfolio, disproportionately skews share of refinances to large banks, reducing business for mortgage bankers and demand for warehouse lines
CFPB (Consumer Finance Protection Bureau)	<ul style="list-style-type: none"> Increasingly focusing on regulating mortgage lending but with uncertain direction of regulation 	 <ul style="list-style-type: none"> Raising compliance costs considerably, but uncertain direction of further regulatory impact
Loan Officer Compensation	<ul style="list-style-type: none"> New regulations restricting loan officers and mortgage bankers from being compensated based on loan terms and interest rates accepted by consumers (addressed by Dodd-Frank and CFPB) 	 <ul style="list-style-type: none"> Altered economics for all mortgage lenders
FinCEN	<ul style="list-style-type: none"> Now requires independent mortgage bankers to develop and implement anti-money laundering (AML) programs and begin suspicious activity reporting (SAR filings) 	 <ul style="list-style-type: none"> Additional process complexity for independent mortgage bankers matches the process required of depository institutions

Source: Lit search

Competitive Landscape

Market is somewhat consolidated but most Mortgage Bankers maintain multiple warehouse lines



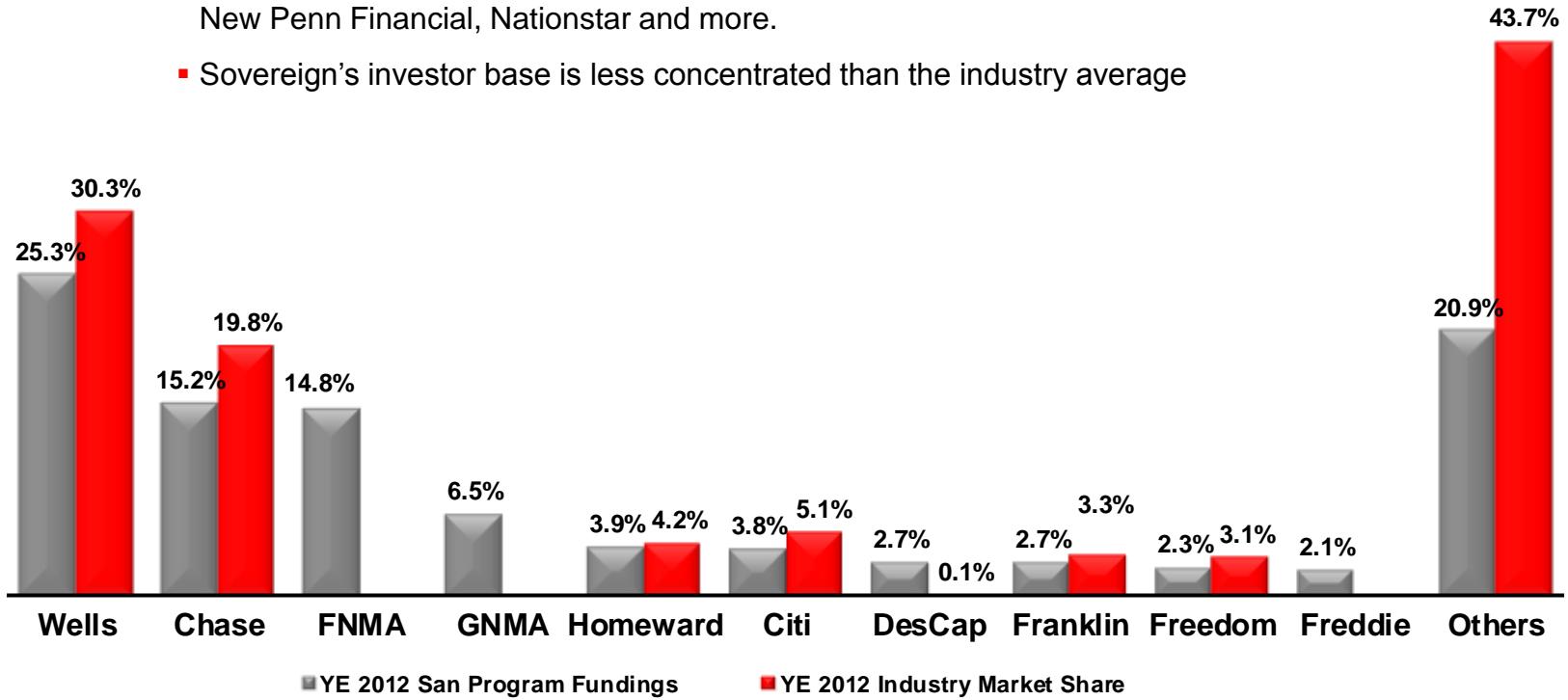
- Some players are consistent participants in market (e.g. Wells Fargo, Texas Capital)
- Others are recent entrants (e.g. Community Trust)
- Others are in and out of the market and therefore have a harder time maintaining mortgage banker relationships

Note: Utilization drives fluctuation in warehouse lines outstanding
Source: Mortgage Stats, Company 10Ks

Top Tier Investors Continue Market and Client Support

Our Top Investors Remain as New Entrants Further Diversify Market

- Our clients choose top investors, selling them 79% of 2012 Sovereign Warehouse volume
- Many new non-depository investors entering industry – Homeward Residential , IMPAC, New Penn Financial, Nationstar and more.
- Sovereign's investor base is less concentrated than the industry average



GNMA & FNMA buy loans from other investors, making their share impossible to calculate

Competitive Landscape – Players in Segment

Santander is within an elite group of banks performing in this segment.....

Key Players



Lines of Credit
>\$100MM

Morgan Stanley

BARCLAYS

EverBank

Merrill Lynch

UBS

BNY MELLON

Deutsche Bank

Citi

TEXAS CAPITAL BANK

WELLS FARGO

JPMorgan

Santander

silvergate BANK

People's United Bank

Comerica

Customers Bank

ViewPoint Bank

NEXBANK

FIRST TENNESSEE

GBC GEORGIA BANKING COMPANY

usbank

BB&T

SOUTHWEST SECURITIES
Member of SWS Group

STERLING NATIONAL BANK

Non Players

PNC



Huntington

Bank of America

FIFTH THIRD BANK

M&T BANK

CapitalOne

FIRST NIAGARA

TD Bank

BBVA Compass

WebsterBank

NYCB

Citizens Bank

Susquehanna
Susquehanna Bank

SUNTRUST

KeyBank

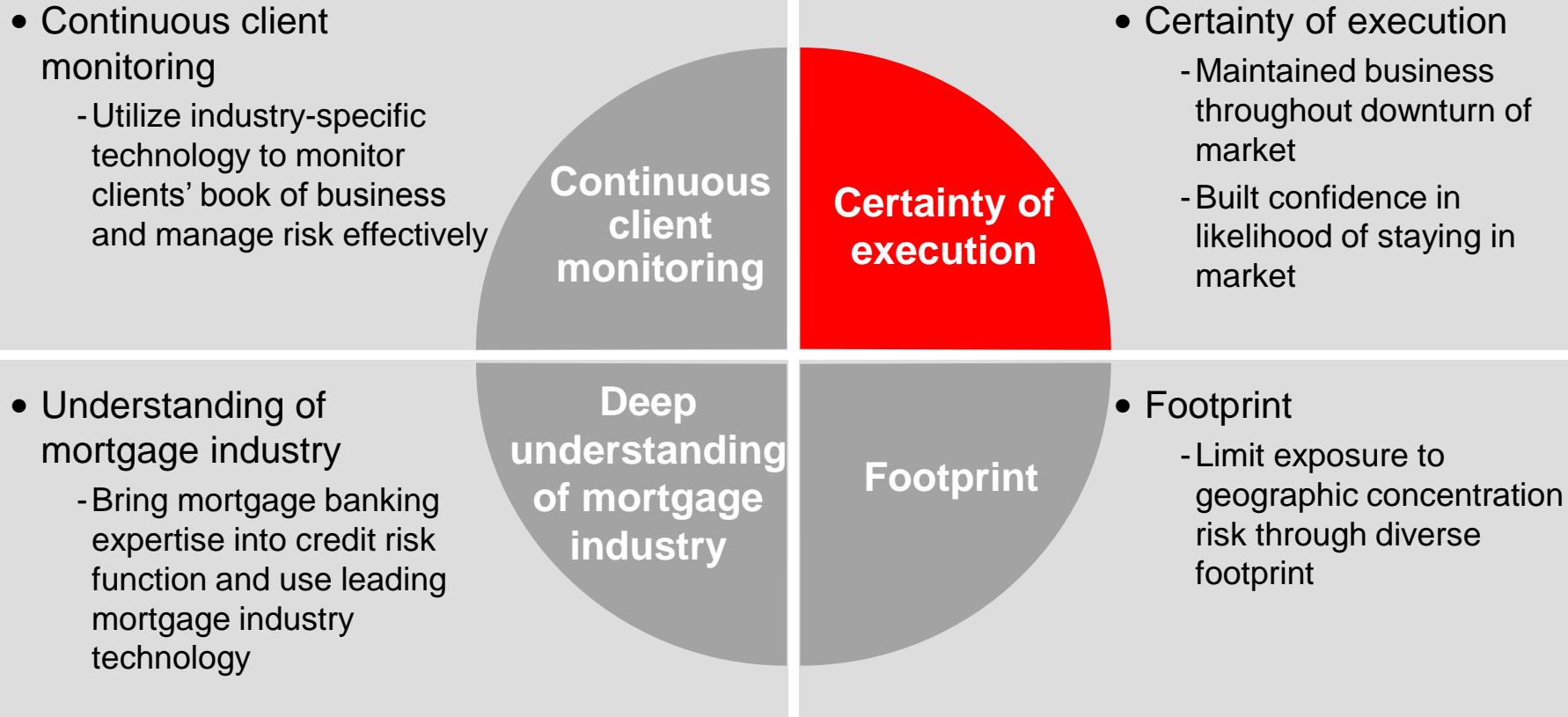
M&T Bank

Santander

Case Study: Wells Fargo

Wells Fargo's acquisition strategy and clear commitment to warehouse lending have been primary drivers of their market leadership position

Wells Fargo: Best Practices



Source: Bain & Co

Mortgage Warehouse Risk Mitigants

Risks

 Client

 Contra-Party

 Product

 Market

 Fraud

Mitigants

- Client selection
- Client underwriting
- Covenant establishment & reviews

- Investor approvals
- Investor reviews

- Product selection
- Multiple take out requirement
- Underwriting review

- Liquidity risk
- Multiple investors for every product

- Operational policies
- Client familiarity (Know your customer)
- Review underwriting
- Verify good standing

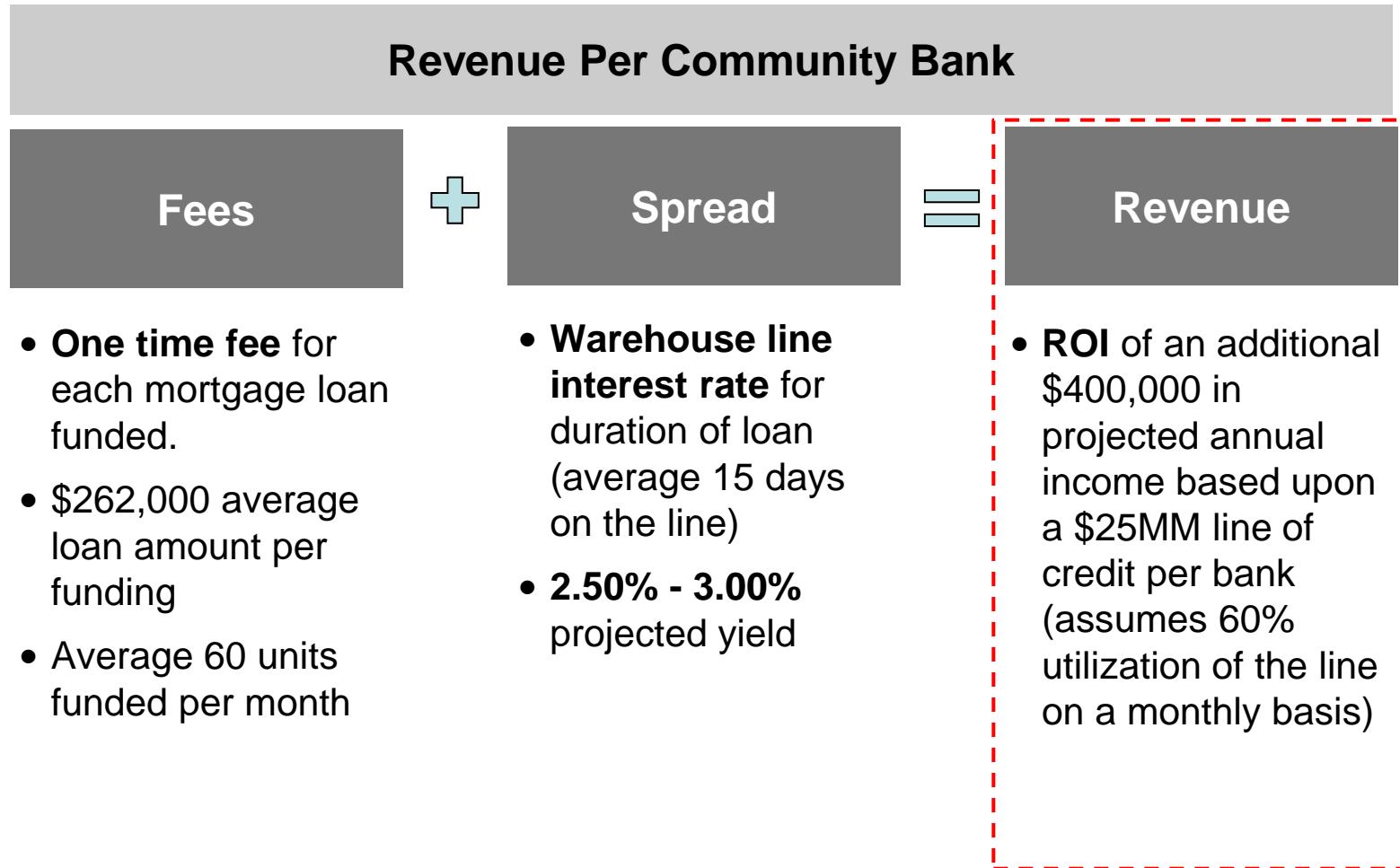


Sovereign Risk Assessment

	Low
	Medium
	High

3.0 Expansion of Community Depository Client Base

Increasing demand by Regulators for community depositories to obtain additional funding sources and reduce assets usage in the funding of mortgage loans



Interdependencies

Partners

Facilities



- Market expansion is dependent on securing and implementing denovo locations out of footprint .
- Delays will effect revenue projections.

IT



- Our current ProMerit version will be phased out by 2014. Upgrade is essential.
- Unit requires 2 additional risk applications that will dramatically improve efficiencies. Without these additions, Operations and Risk FTE increases would need to be higher.
- Mortgage Unit would also benefit from these products.
- Denovo locations' timely opening is dependent on IT setups. Delays will effect revenue.

HR & Recruiting



- Revenue projections are dependent on the timely recruiting of out of footprint staff

Credit Risk & Operations



- Market expansion is dependent on increasing Operational & Credit FTE to meet new volume requirements
- Talented mortgage-centric staffing is essential for unit efficiencies. Shared resources or generalist credit staff will slow down turn around and increase staffing needs.

Improved Technical Capabilities

\$450K in annual expenses to upgrade MWG systems to industry standard

ProMerit:

- Currently use oldest supported version of ProMerit
- Vendor will not support current version beyond mid 2014
- Upgrade currently under IT review

Acquire & implement industry risk management technology

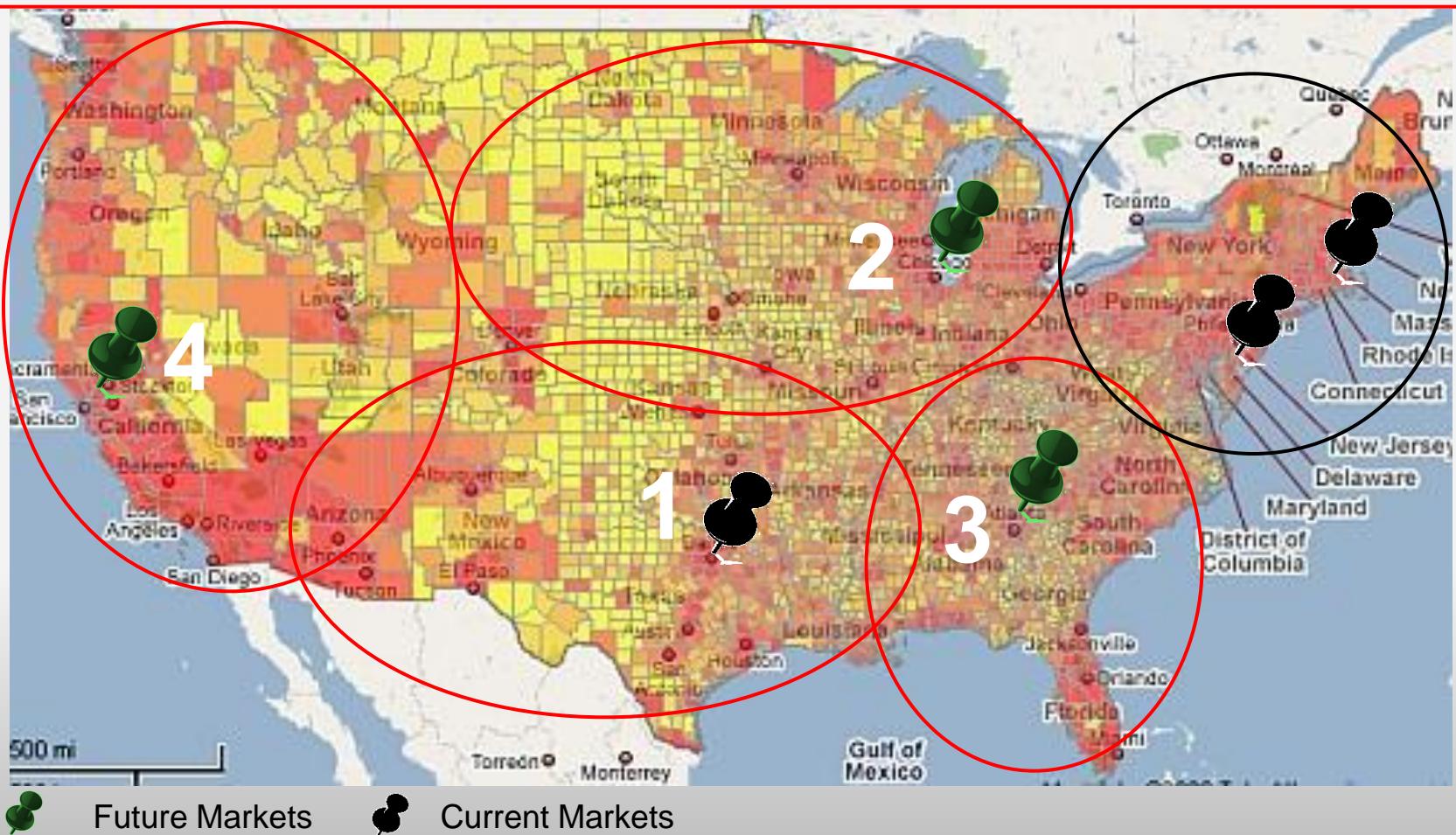
Comergence:

- Client licensure verification and monitoring application and covenant management tool
- Applicable to MQG, Mortgage Division and possible other LOB's
- Implementation currently under IT review

2.0 Targeted Market Expansions

Strategically place additional sales force in key cities to penetrate regions with high origination rates.....

2010 US Census Population by Geography



Source: 2010 US Census Database

Energy Finance

2016 Strategic Plan

Boston – June 2013



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Business Unit Background

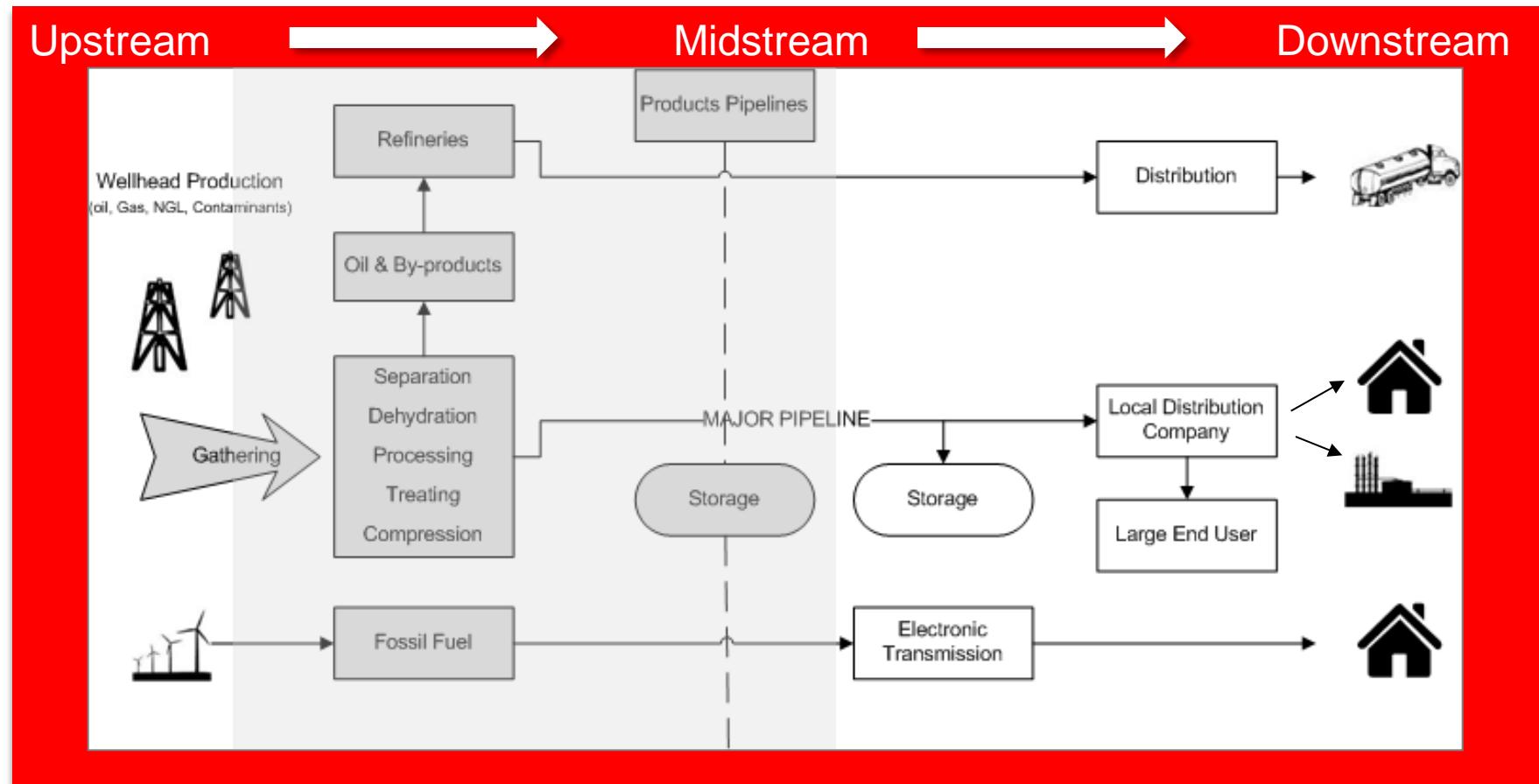
Business Plan 2014-2016

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Appendix

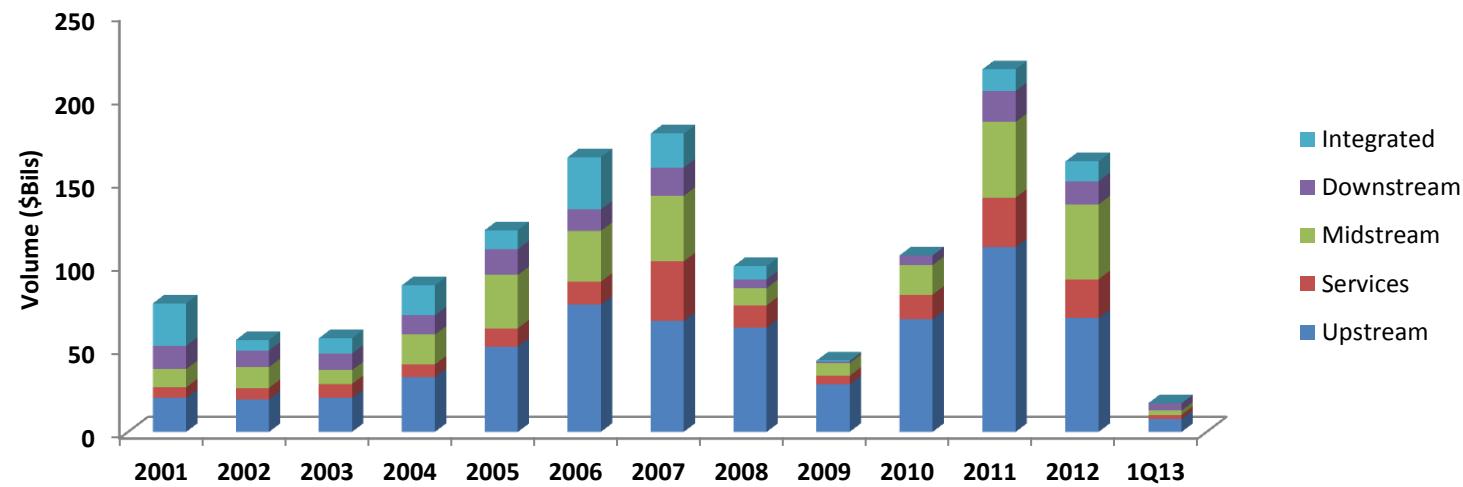
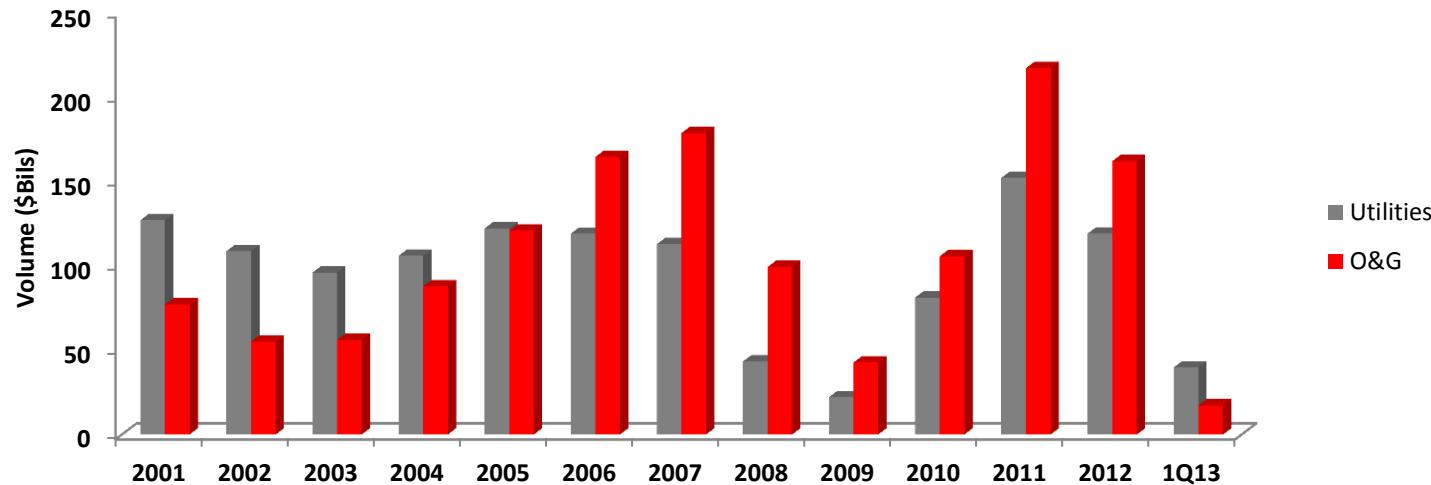
Energy Lending Industry Segmentation

There are 3 main segments within the energy industry with specific lending needs



Energy Lending Market Growth

Addressable Energy market has grown over last 5 years, fueled by Oil and Gas, and is expected to continue strong recovery post-downturn



Typical Products

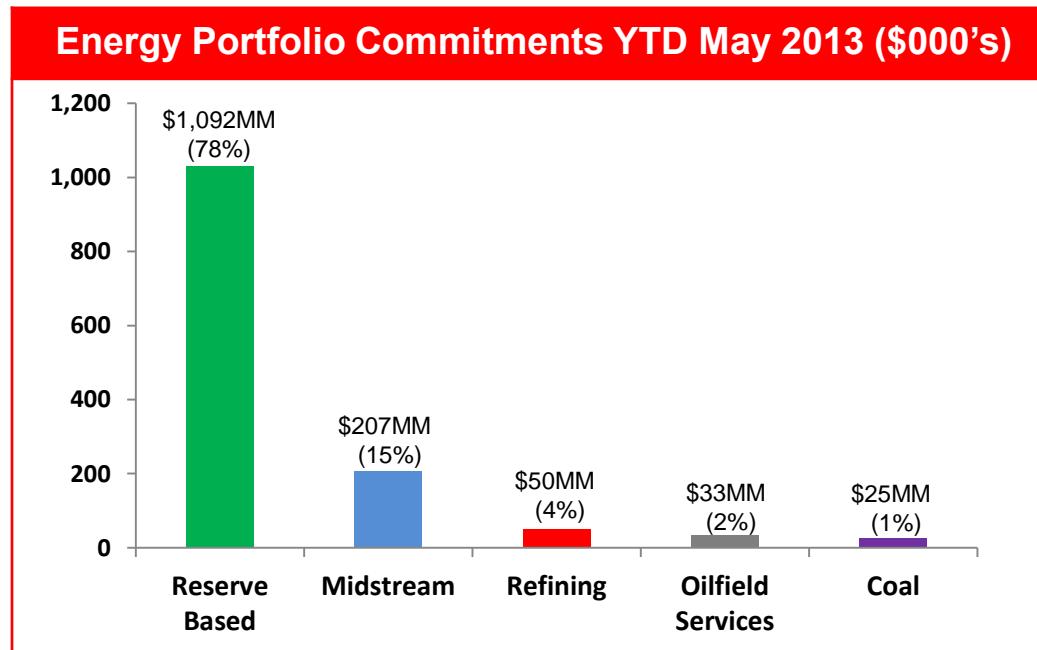
Products vary by customer type, but cross-sell occurs throughout

UPSTREAM	MIDSTREAM	DOWNSTREAM
<ul style="list-style-type: none">▪ RBL▪ Standard revolvers	<ul style="list-style-type: none">▪ Standard revolvers▪ Term loans▪ Leasing▪ Project Finance (renewables)▪ ABL	<ul style="list-style-type: none">▪ Standard revolvers▪ Standard transactions
CROSS-SELL		
<ul style="list-style-type: none">▪ Debt/Equity Capital Markets (DCM/ECM)▪ Leasing▪ Commodity/interest rate derivative management▪ Project Finance (renewables)		

Sovereign's Diversified Portfolio

Successes

- Energy team transacts across the sector, resulting in **strong deal flow**
- **Diversification** across energy sector with borrowers with strong credit profiles
- Established **strong market presence** in Reserve Based Lending and Midstream sectors with particular emphasis on MLP's.
- **Proven execution** has enhanced Sovereign's reputation in the market



Energy Case Study: Top 4 Banks

TOP 4 BANKS IN ENERGY



Sovereign



National / Local

- National salesforce run from Houston offices

Portfolio diversity

- Upstream: 40-60%
- Midstream: 30-40%
- Downstream: 10-20%

New annual commitments / RM

- \$150-200M

Cross sell

- Sophisticated commodity shop providing hedging products
- Derivatives
- Well-integrated ECM/DCM capabilities
- Full spectrum of Cash Mgmt
- Limited Project Finance

- National salesforce run from within footprint

- Upstream: 78%
- Midstream: 15%
- Downstream: 7%

- No commodity hedging capabilities
- Basic ECM capabilities
- LatAm vs.. US DCM desk
- Basic Cash Mgmt
- Project Finance

Sovereign Energy Portfolio Focus

	<i>Lending Type</i>	<i>Proportion Business</i>
1 Exploration & Production (E&P)	<ul style="list-style-type: none"> Reserve Based Loans ("RBL"). Clients are small and mid cap US-based producers. Update: RBL deals have been less than expected due to excess market liquidity. Increased volumes anticipated due to teams marketing. Generally done on a seasonal basis, i.e. late Fall and late Spring 	 <ul style="list-style-type: none"> 70-90% Focus areas 1 & 2
2 Midstream	<ul style="list-style-type: none"> Liquid natural Gas (LNG), natural gas storage, gathering/ treatment, pipelines, crude oil storage and distribution. Midstream was initially not a primary focus, however the current market has increased pricing and good credit metrics making it an asset rich critical sector for portfolio growth. 	
3 Renewables & Fossil Fuel	<ul style="list-style-type: none"> Single asset projects including coal, natural gas and renewables. Ability to leverage Santander expertise in renewables. 	 <ul style="list-style-type: none"> 10-30%
4 Regulated Utilities	<ul style="list-style-type: none"> Regulated electric utilities, Local Distribution Companies, transmission lines, and borrowers whose sole off taker is a regulated utility 	
5 Coal	<ul style="list-style-type: none"> Coal added as opportunistic given the strong credit profile of Alliance. Will examine deals selectively. Sovereign currently banks most major players. 	
6 Refining	<ul style="list-style-type: none"> Independent refiners. Asset Based Lending to Refiner's is a safe asset class. 	
7 Oilfield Services	<ul style="list-style-type: none"> Highly selective in sector and will examine transaction with reasonable leverage and cross sell opportunities. For example: drilling, equipment transportation, compression and, fluid storage. 	

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Current Status: SOV Energy Portfolio

The Energy Team has grown from strength to strength over the past 12 months. Since joining the bank in 2011, there have been several key highlights

- Loan Commitments have grown to \$1.41BN
- Cash outstandings have grown to over \$500MM
- The team has on-boarded 41 clients across the energy spectrum
- The team has successfully secured eight co-manager roles for Santander in Debt Capital Markets and Equity Capital Markets with total ECM / DCM income of \$1.351MM
- The team has recruited three additional high quality staff (Six in total)
- The successful execution on Project Rosebud has established Sovereign Bank's reputation in the Oil & Gas market
- YTD revenues are forecast to be in excess of \$9MM based on YTD April revenue of \$3MM
- We continue to expand our cross sell capability with all of our product partners
- Strong relationships have been developed with all of our internal partners in Credit, Risk, Compliance and Legal

Overview of Energy Team – Who we are?

**Vaughn Buck – EVP
Director Energy Finance**

20+ year banking veteran
 Founded the Energy Group at AIB
 Established the Toronto and Houston Offices
 Member of AIB US Senior management
 with experience chairing credit committee

**Mark Connelly – SVP
Senior Banker**

- Head of oil and gas team at AIB.
- Managed the Houston office.
- 20 years banking experience with 15 years lending to oil and gas industry.
- Previously ran the Energy Finance group at DZ Bank N.Y.
- MBA and CFA Charterholder.

**Aidan Lanigan – SVP
Senior Banker**

- 15 years Banking experience.
- 12 years experience in the Energy Finance industry.
- Developed the Renewable Energy sector for Allied Irish Banks and financed over 3,000MW+ of greenfield wind farms.
- MBA with First class Honors.

**David O'Driscoll – SVP
Senior Banker**

- 15 years Banking experience.
- 12 years experience in the Energy Finance industry.
- Previous Director with the Project & Commodity Finance group at UniCredit Bank AG.
- Bachelor of Business & Law, University College Dublin.

Puiki Lok – VP

- 10 years Banking experience.
- 8 years experience in the Energy Finance industry.
- Previously worked with Standard & Poors, Allied Irish Banks and Mizuho.
- Bachelor of Science in Economics from Wharton School at University of Pennsylvania.

Karen Huang – RA

- 3 years Banking experience.
- 2 years experience in the Energy Finance industry.
- Previously worked with Sumitomo Trust & Banking Company.
- Graduated from NYU, Leonard Stern School of Business Majoring in Finance and Management.

* New RM Headcount approved 9/12

Sovereigns Energy Business Overview

Energy team's key capabilities

Team



- Established in August 2011 and comprised of four seasoned industry veterans with 40+ years of experience

Goal



- Build a first class energy business across the Energy industry from the “Well Head to Light Switch” through upsizing and becoming a right side, player in co-manager level.

Risk



- Our target market has a strong credit profile demonstrated by excellent historical default and recovery statistics, supported by transaction structures and collateral

Cross Sell



- Major focus, but limited initially until the Bank's range of products is broadened.
 - Key products : Deposits, Interest Rate Swaps, Equity and Debt Capital Markets
 - Number of clients: 41 existing, 80 key prospects

Current Portfolio Composition

- The team continues to establish the reputation of Sovereign within the Energy markets both directly with prospective clients and with key Energy industry centers of influence
- The portfolio is well diversified across over 41 clients and across sector
- Total commitments by Sovereign of \$1,446MM with allocations of \$1,407MM (97%)
- Key portfolio data points are as follows:
 - Average underlying net interest margin is 2.30%; minimum 1.4%, maximum 4.5%
 - Average drawings are 44%. Range from 0% to 100%
 - Average Unused fees are 44bps
 - Average hold amount is approximately \$34MM. Range from \$14.6MM to \$97MM

Sector	Limits	%	Cash Drawings	LC Drawings	Undrawn
Oilfield Services	33,408,046	2%	32,246,329	0	1,161,717
Refining	50,000,000	4%	0	37,856,254	12,143,746
Reserve Based	1,092,211,240	78%	372,927,608	7,642,564	711,641,069
Coal	25,000,000	2%	10,517,143	617,423	13,865,434
Midstream	207,000,000	15%	71,980,849	31,882,717	103,136,434
Total	1,407,619,286	100%	487,671,929	77,998,957	841,948,400

Cross Sell Successes

- The team has had numerous cross sell successes to date, with key focus to date on ECM and DCM. Our product partners in have met with our client base and our successful execution in these product area's has enhanced our reputation across the market.
- Deposits are a key focus of the group going forward and our goal is to grow the deposit base from its existing level of \$6MM.
- Key cross sell wins YTD are as follows:

NAME	ECM	DCM	Total ECM / DCM
PBF Holding Company LLC	\$ 130,081	\$ -	\$ 130,081
Atlas Resource Partners LP		\$ 185,625	\$ 185,625
Genesis Energy LP		\$ 56,000	\$ 56,000
Chesapeake Exploration LLC*		\$ 208,916	\$ 208,916
Continental Resources Inc*		\$ 515,625	\$ 515,625
Atlas Pipeline Partners LLC		\$ 50,000	\$ 50,000
Northern Oil and Gas Inc*		\$ 100,009	\$ 100,009
SM Energy Co*		\$ 105,000	\$ 105,000
Total	\$ 130,081	\$ 1,221,175	\$ 1,351,256

* Related to Project Rosebud on-boarded clients \$929,550.

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Business Plan 2014-2016

- Business-as-Usual

- 2016 Projects

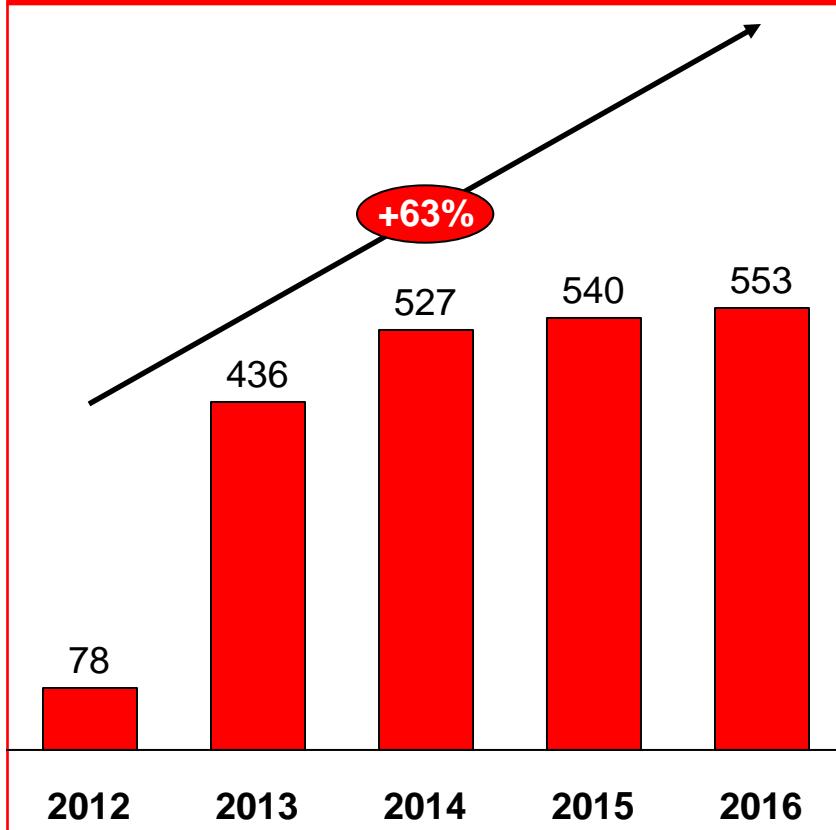
- Consolidated Plan

Key Conclusions

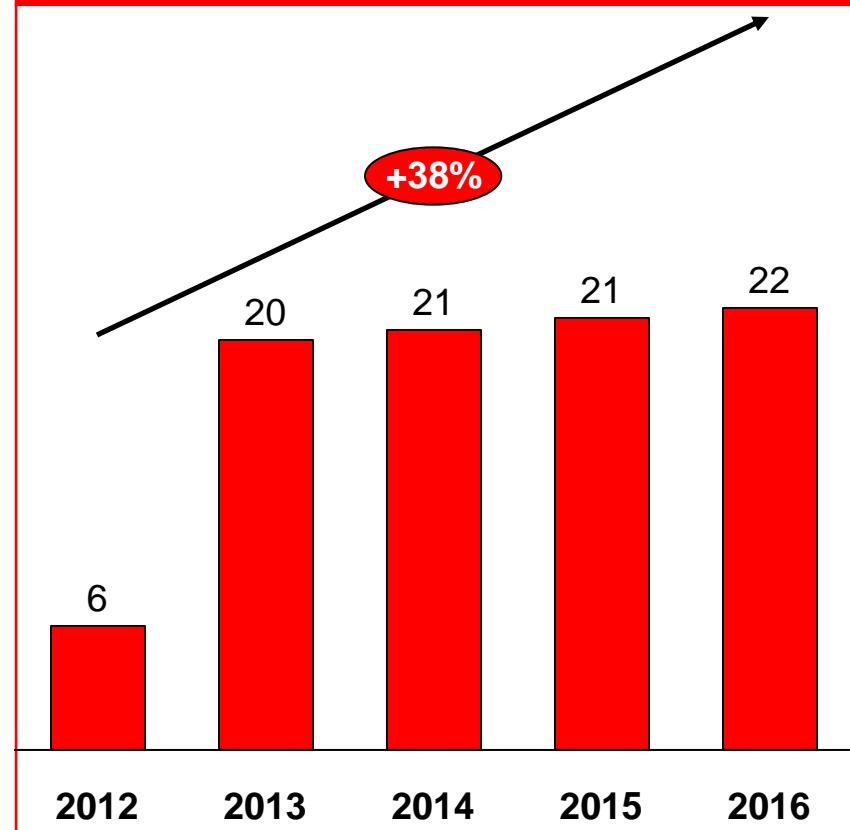
Appendix

BAU: Balance Sheet

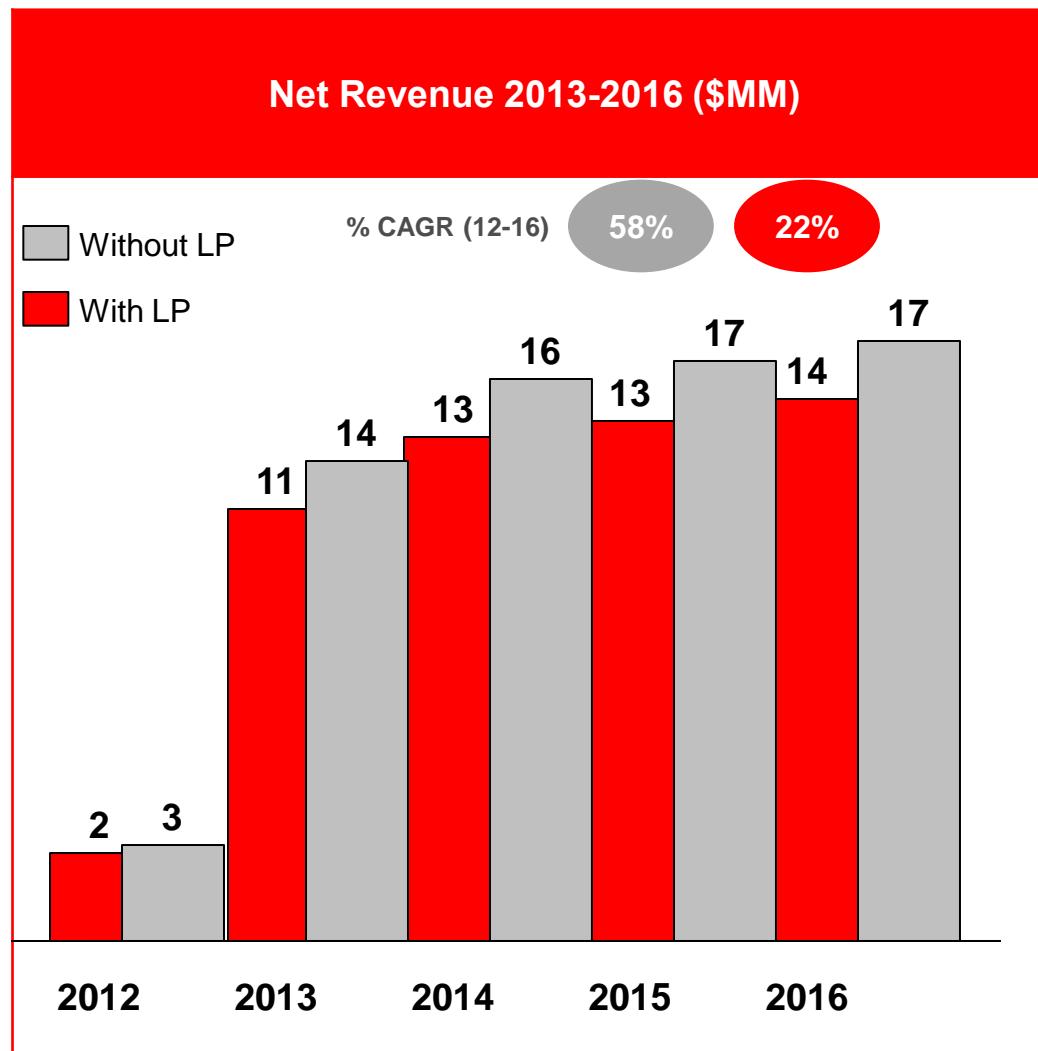
Loan Outstanding 2013-2016 (\$MM)



Deposit Balances 2013-2016 (\$MM)



BAU: Revenue



BAU: Key Initiatives

- Opening of Houston office
- Rosebud Acquisition
- Enhance Cross-Sell Capabilities (ECM & DCM)

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Summary: 2016 Strategic Initiatives



1

Complete hiring of Houston office

- Incremental headcount of 5 FTE's is needed to complete the hiring of Houston office
- Each new sales hire will bring \$2.5MM in revenue per annum

2

Enhance Energy Finance client penetration through partnerships

- To up tier with clients, the Bank needs a wider product offering
- Using a partnership or joint venture (JV) can have benefits to the Bank while reducing risk and cost
- The Bank will earn lower fees via a partnership but will mitigate equity and cost risks
- The partners can contribute personnel and systems for the opportunity of the access Bank clients

1 Complete Hiring of Houston Office



Why complete hiring?

- Completing the hiring of Houston Office will allow for increased presence in the most important US Energy market to fuel further growth and process efficiencies
- To become a major player in the Energy market, the Team must recruit quality professionals
- Completing the hiring of Houston Office will allow more time to be spent with clients and less time travelling, resulting in greater degrees of productivity
- The Petroleum Engineer, which was approved in the 2012 Strategic Plan, will reduce third party PE costs and assist in winning direct business

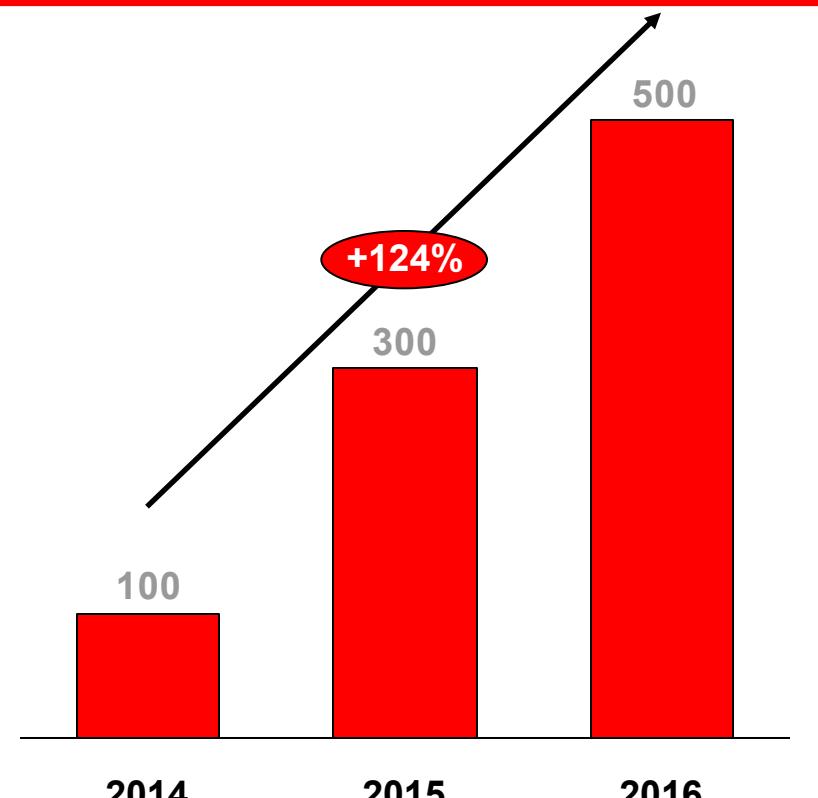
Balance sheet & revenue growth

- Each new Sales Hire is projected to bring \$2.5MM in revenue, \$100MM in outstanding and \$50MM in deposits per year

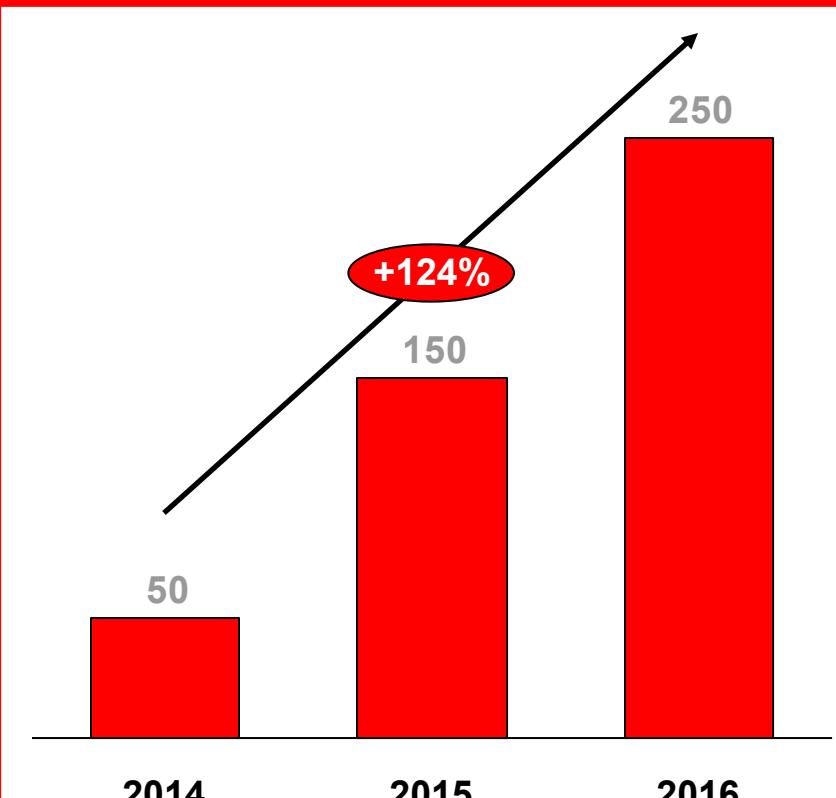
1 Complete Hiring of Houston Office



Incremental Loan Outstanding 2013-2016 (\$MM)



Incremental Deposits 2013-2016 (\$MM)

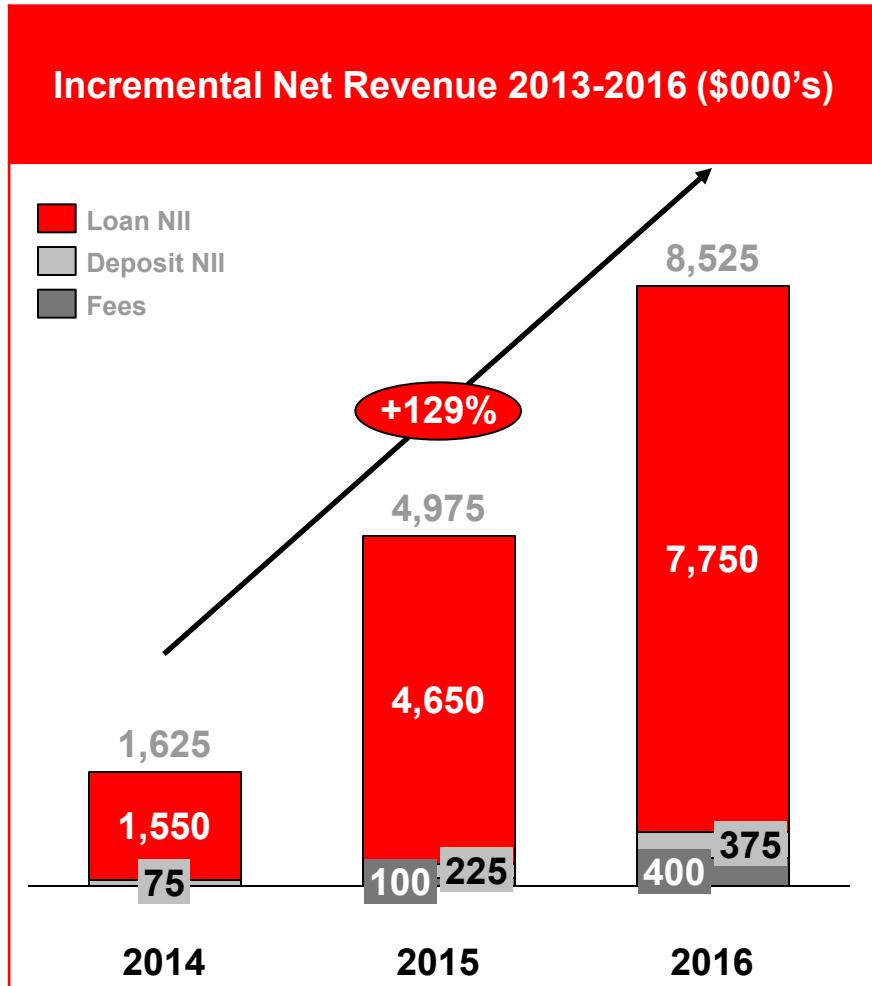


Assumptions:

- Each new hire will bring \$100MM in O/S per annum
- Each new hire will bring \$50MM in deposits per annum

1

Complete Hiring of Houston Office



Assumptions:

- Each new hire will bring \$2.5MM in revenue per annum

1 Complete Hiring of Houston Office



	Division	Function	Area to support	Number of FTEs	Timeline for Hiring	Estimated cost per HC per Year
People	Energy	VP/AVP	Sales	2	2014 2015 2016	\$400K
	Energy	Relationship Assistant	Support	1	1 0 0	\$75K
	TOTAL			Energy: 3	2 1 0	
Other	Energy	Houston Office	Sales			\$100K build-out \$100K/yr lease
	Energy	Engineering Platform	Sales			\$50K

2 Enhance Penetration Through Partnerships



Why Establish Partnerships?

- To up tier with clients, the Bank needs a wider product offering
- Providing specialized ancillary services to oil and gas clients allows for uptiering in ECM/DCM activity and increases fee income without increasing RWAs, resulting in greater RORACs
- Adding new products can be expensive and risky
- It can take \$100m of dollars for system with no revenue
- Using a partnership or joint venture (JV) can have benefits to the Bank while reducing risk and cost
- JV partner would benefit from additional flow, while Santander would gain increased exposure and fees
- The Bank will earn lower fees via a partnership but will mitigate equity and cost risks

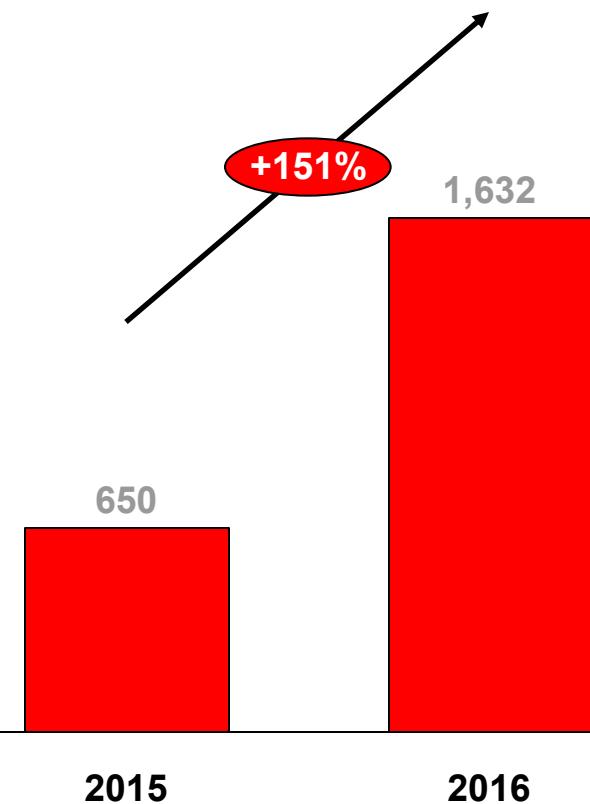
Key Example:Scotia Bank

- One example of this is Scotia Bank – they wanted to participate in secondary offerings of MLPs but had no distribution. By partnering with Janney Montgomery Scott, who is located in the Northeast with no access to Energy MLPs, Scotia Bank was able to earn the fees it would otherwise have forfeited. After confirming the level of fees and opportunities, Scotia has started its own distribution network

2 Enhance Penetration Through Partnerships



Incremental Net Revenue 2013-2016 (\$M's)



*Derived from client discussions and a few assumptions:

1. Minimum portfolio of 15-20 clients to ensure sufficient crude oil & gas flow for critical mass of opportunity
2. Hedging revenue captures a percentage of RBL volume
3. In a JV situation, revenue would be split between JV partners: 5 deals each at \$40M year 1, year 2 : 8 deals

2 Enhance Penetration Through Partnerships



Resources

- No incremental HC is required, however, lending policies will need to be addressed in order to execute initiative

Possible risks & Mitigants

- The operational and credit risks would be the same as the “Traditional” method but would be mitigated via the JV by only putting a set amount of capital at risk

2 Enhance Penetration Through Partnerships



Commodity Hedging

- Establish Commodity Hedging product to meet the needs to of clients
- Clients and targets have active hedging programs and this represents a key revenue source for banks in the Energy industry
- Provide service via a JV with a non-bank commodity hedging company
- Sovereign would provide access to clients who would otherwise not deal with providers outside their bank group
- JV Partner would provide systems and staff to reduce costs and risks
- Santander would have a set amount of capital at risk and should not have MTM changes shown in Income Statement and Balance Sheet

Partner with a firm with research and private placement capabilities

- Increasing loan commitments have a meaningful but limited value absent other services
- In a JV situation, the value would be lessened but still important
- JV partner would benefit from additional flow, while Santander would gain increased exposure and fees

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Energy Finance 2016 Plan

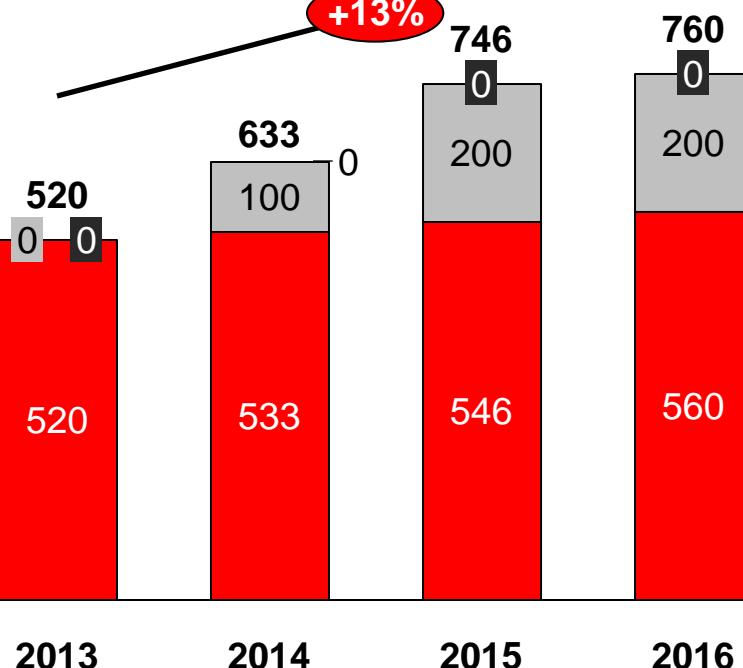
Loan Outstandings 2013-2016 (\$MM)

Partnerships

Hiring of Houston Office

BAU

+13%



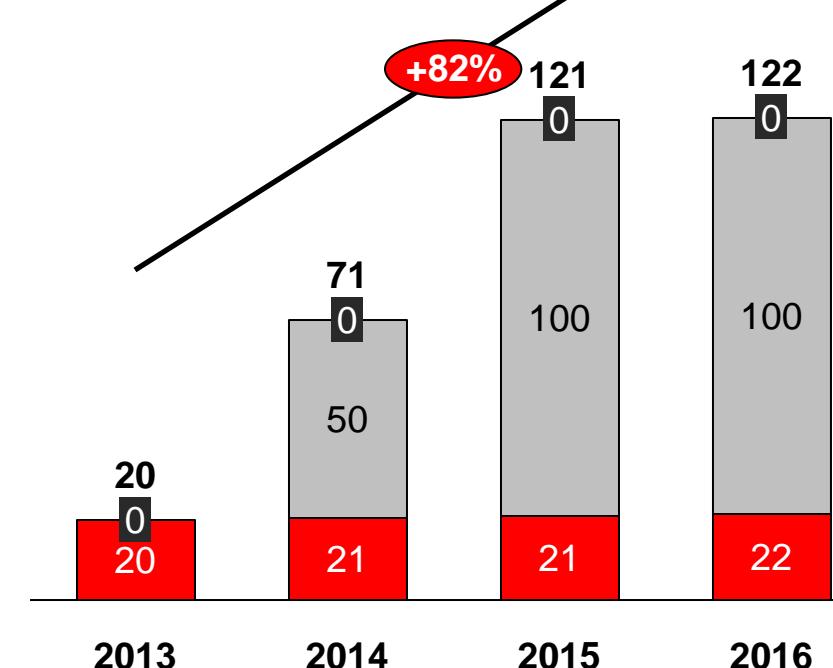
Deposit Balances 2013-2016 (\$MM)

Partnerships

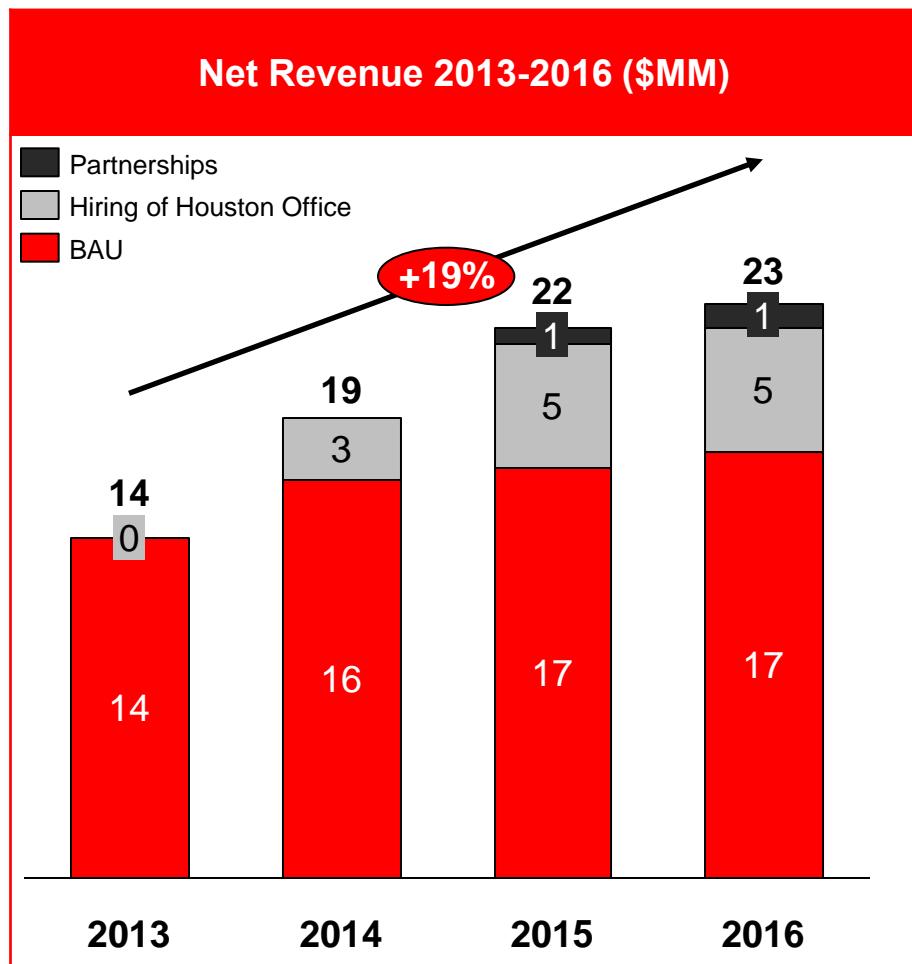
Hiring of Houston Office

BAU

+82%

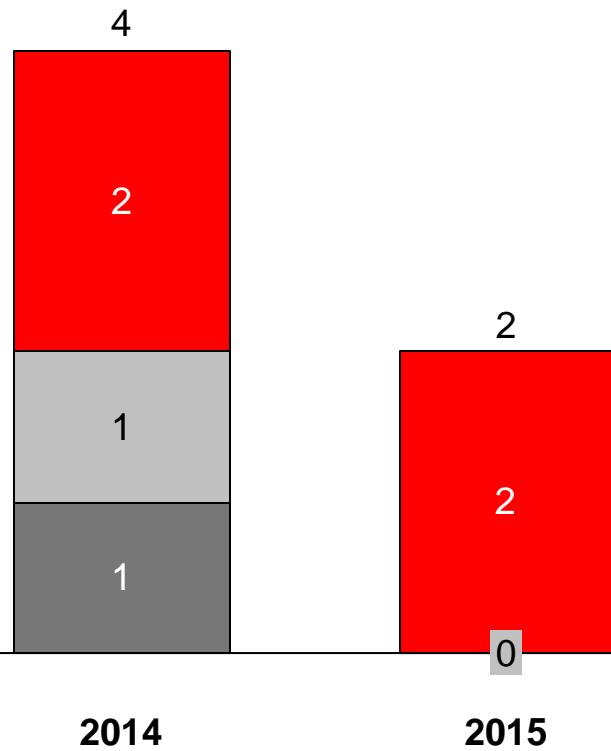


Energy Finance 2016 Plan

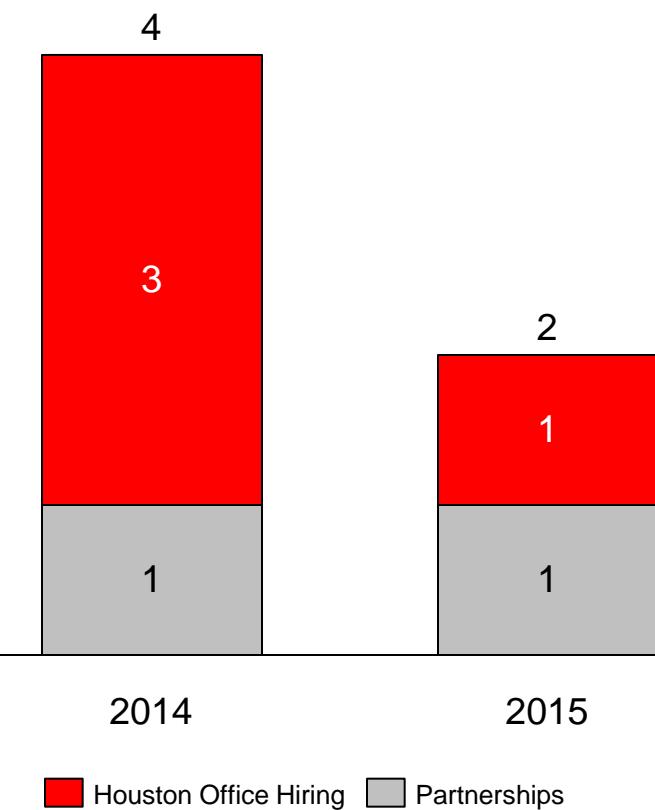


Strategic Plan- FTE Required

FTE Required by Function 2014-2016



FTE Required by Initiative 2014-2016



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Key Conclusions

- Completion of hiring for Houston office is fundamental to execution of business plan
- Need to recruit additional seasoned bankers with deep market contacts and experience to continue growing the portfolio and cross sell
- Enhance Energy Finance client penetration through partnerships
- 2016 Projections of \$23MM

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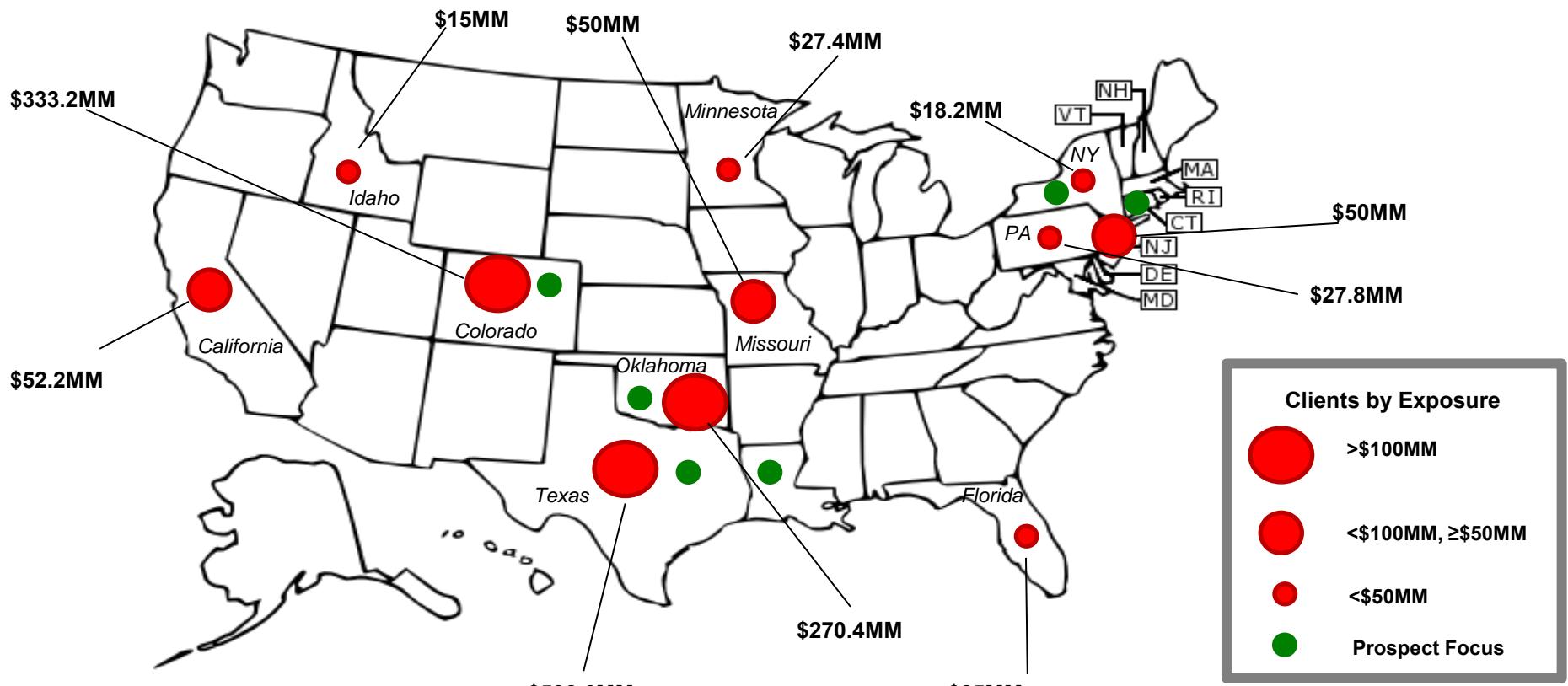
Appendix

Energy Prospects

Top prospects across all focus industries, allocated to three bankers

E&P	Ticker	Midstream	Ticker	Utilities	Ticker
Carizzo Oil & Gas Inc	CRZO	Caiman II Energy	Private	Avista Corporation	AVA
Antero Resources	Private	Center Oil Company	Private	Citizens Energy Group	Private
Bluestem Energy Partners, LP	Private	Copano Energy, LLC	CPNO	Cleco Corporation	CNL
Celero	Private	Crestwood Midstream Partners, LP	CMLP	Continental Energy Systems, LLC	Private
Chalker Energy Partners III, LLC	Private	Crosstex Energy Partners, L.P.	XTEX	DTE Energy, Inc	DTE
Citation Oil & Gas	Private	CVR Energy, Inc.	CVI	EI Paso Electric Co.	EE
Crump Energy Partners, LLC	Private	Eagle Rock Energy Partners, L.P.	EROC	Great Plains Energy Incorporated	GXP
Enduring Resources	Private	Exterran Partners, L.P.	EXLP	IdaCorp, Inc.	IDA
Energen	EGN	Frontier Midstream, LLC	Private	ITC Holdings, Corporation	ITC
Energy XXI	EXXI	Holly Frontier Corporation	HFC	NorthWestern Corporation	NEW
Enervest	Private	Markwest Energy Partners, L.P.	MWE	Pinnacle West Capital Corp	PNW
Goodrich Petroleum	GDP	NGL Energy Partners, L.P.	NGL	PNM Resources, Inc.	PNM
Halcon Resources	HK	Northville (NIC Holding)	Private	UNS Energy Corporation	UNS
Kodiak Oil & Gas Corporation	C	NuStar Energy, L.P.	NS	Vectren Corporation	VVC
Laredo Petroleum	LRDC	OilTanking Partners, L.P.	OILT	Westar Energy, Inc.	WR
Magnum Hunter Resources	MHR	Proliance Energy Holdings	Private		
Milagro Exploration	Private	Regency Energy Partners, L.P	RGNC		
Morningstar Partners	Private	Spectra Energy Partners, LP	SEP		
National Fuel Gas Company	NFG	Sunoco Logistics, L.P.	SXL		
Newark E&P, LLC	Private	Tallgrass Energy Partners	TEP		
North Star Offshore	Private	Targa Resources Partners, L.P.	NGLS		
Paloma Resources	Private	Western Gas Partners, L.P.	WES		
PDC Energy Corporation	PDC	Phillips 66	PSX		
Penn Virginia Resources	PVR	Rose Rock Midstream L.P.	RRMS		
PrimeEnergy Corporation	PNRG	MidCon Energy Partners L.P.	MCEP		
Reliance Energy	Private	Sage Midstream (aka Kaiser)	Private		
Renaissance Offshore, LLC	Private				
Rosetta Resources	ROSE				
Sabine Oil and Gas aka NFR	Private				
Sanchez Resources	Private				
Stone Energy	SGY				
Tracker Resources	Private				
Vanguard Natural Resources, LLC	VNR				
Vantage Energy and Vantage II, LLC	Private				
Vitruvian Exploration II, LLC	Private				
WPX Energy	WPX				
Services	Ticker	Services	Ticker	Renewables	
		Basic Energy Services, Inc	BAS	KGRA Energy	
		RPC Inc	RES	Lincoln Renewable Energy, LLC	
		Superior Energy Services, Inc.	SPN	Wellhead Energy	
		Desert NDT	Private		
		Forum Energy Technologies	FET		
		Hornbeck Offshore	HOS		
		Dril-Quip	DRQ		
		Helix Energy Solutions	HLX		

1. Portfolio Footprint – Strong focus on TX, OK & CO



The concentration of clients in the South-West region presents an important opportunity for established presence

2. Ancillary Products

Broadening client relationships allows for uptiering and incremental fee income.

- Providing specialized ancillary services to oil and gas clients allows for uptiering in ECM/DCM activity and increases fee income without increasing RWAs, resulting in greater RORACs. Specialized services include:
 - **A&D:** Acquisition and Divestiture advisory services specialize in the acquisition and sale of upstream oil and gas reserves and production. A&D groups proactively generate ideas for clients and advise on valuations, structure and competitive landscape.
 - **Equity Research:** Companies are always looking to increase analyst coverage to broaden institutional and retail interest in their stock.
 - **Distribution & Private Placement:** Adding value by offering companies additional funding sources.

Strategic Partnership A

- Partnering with a firm that has equity research and ECM/DCM distribution capabilities but no physical presence in the oil patch (TX, OK, CO)
- Santander can provide client relationships and access to executive management.
- Santander benefits from ability to participate at book runner level.

With partnership, no additional headcount would be needed. As a consulting product, risks are minimal.

Strategic Partnership B

- A&D firms that currently only deal with very small clients could benefit with a partnership whereby Sovereign provide access to larger clients. Proactively generating ideas for clients will allow Santander to take senior roles in financing activities.

2015 vs.. 2016 Strategic Plan: Rational

	2012 - 2015 Plan	2013 - 2016 Plan	Comments
	2014		
New Business Volumes			
RBL	400,000	120,000	The reduction in new business volumes reflects the realization that Sovereign doesn't have the capacity for this level of new deals.
Midstream	350,000	125,000	
Other	100,000	75,000	Further the original plan called for average allocations of \$42.5mm which isn't supported in the current market, where a \$25mm commitment gets you \$12- \$15mm allocation.
	850,000	320,000	New plan assumes 20 new clients at \$15mm allocations.
			Original plan also focused more heavily on lending vs. cross sell.
Average Commitments	1,340,543	1,414,867	Adjusted for Rosebud acquisition and lower new business volumes.
Average Usage			
Drawn Assets	703,065	504,227	Reduction is a combination of lower new volumes and lower assumed utilization.
LC's	82,724	40,067	Rosebud client base is weighted to public companies which utilize their lines less instead issuing bonds and equity
785,789	544,294		
Average Margins	2.26%	1.98%	Reflects the up-tiering of portfolio quality, lower usage (margin grids are tied to usage), and market conditions.
NII			
	17,211	10,229	\$4.5mm of the reduction is due to lower average balances. \$1.5mm is due to lower margin. Remainder is lower assumption of FASB income.
L/C Fees	1,876	837	Delta caused by lower commitment level and increase in RBLs as percentage of commitment. E&P companies don't use LC's at the same level as midstream.
Commitment & Other Fees	1,768	3,265	The flipside of NII reduction.
Deposit Income	300	300	
Cross Sell	1,676	1,698	Cross sell income was leveled to reflect inconsistent nature of opportunities.

Growth will be achieved through a phased approach...

Phase 1: INCEPTION 2012- Complete

- **Target clients** where team has **existing relationships**
- **Build deal pipeline** through **intensive marketing** of client's and major Energy banks such as Wells Fargo
- **Build credibility** internally with Credit and Risk and externally with key stakeholders in sector
- **Cross sell** deposits and interest rate swaps

Phase 2: EXECUTION 2013- Complete

- Seek to **participate in Club deals** with Banking partners with similar risk appetite
- **Enhance cross-sell** proposition with introduction of GBM's **ECM and DCM** capabilities.
- **Establish Houston Office**
- **Resources:** Recruit quality professionals to become a major player in the market

Phase 3: EXPANSION

2014-2016

- **Grow loan book** through **increased average ticket size** from \$35MM to \$50MM
- **Deepen relationships** with existing clients
- **Resources:** Recruit additional quality professionals
- **Support :** Require additional internal support from Credit and GBM Products. Establish additional high-value products
- **Develop direct relationships** with middle market clients

A phased approach working in conjunction with our support partners (Credit & Products) is recommended.
This allow us to build credibility both internally and externally and to establish required skills.

Asset Based Lending

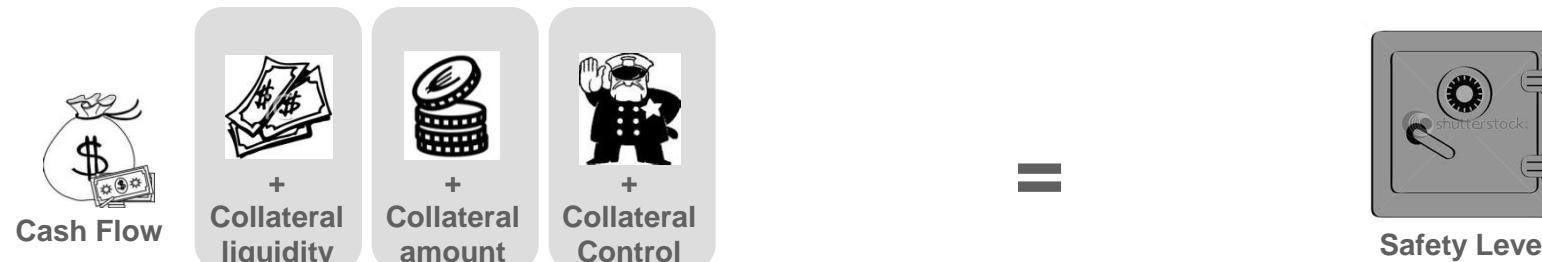
2016 Strategic Plan

May, 2013



ABL Business Overview

Asset Based Lending ("ABL") is a discipline where the financing is predicated on the credit worthiness of the borrower and the quality and value of the collateral



Typical ABL Clients

- Positive net worth with higher leverage than traditional C&I borrower
- Profitable with positive cash flow, coverage below that of a traditional C&I borrower
- Permanent reliance on working capital facility
- Seasonal borrowing needs
- Acquisitions reliant on collateral value
- Well defined turnarounds

ABL

ABL Products

- Total facilities range from \$5MM - \$35MM
- Revolving lines of credits are advanced on a formula basis against accounts receivable and inventory
- Term loans secured by fixed assets
- Commercial real estate loans secured by owner occupied real estate

Risk Monitoring

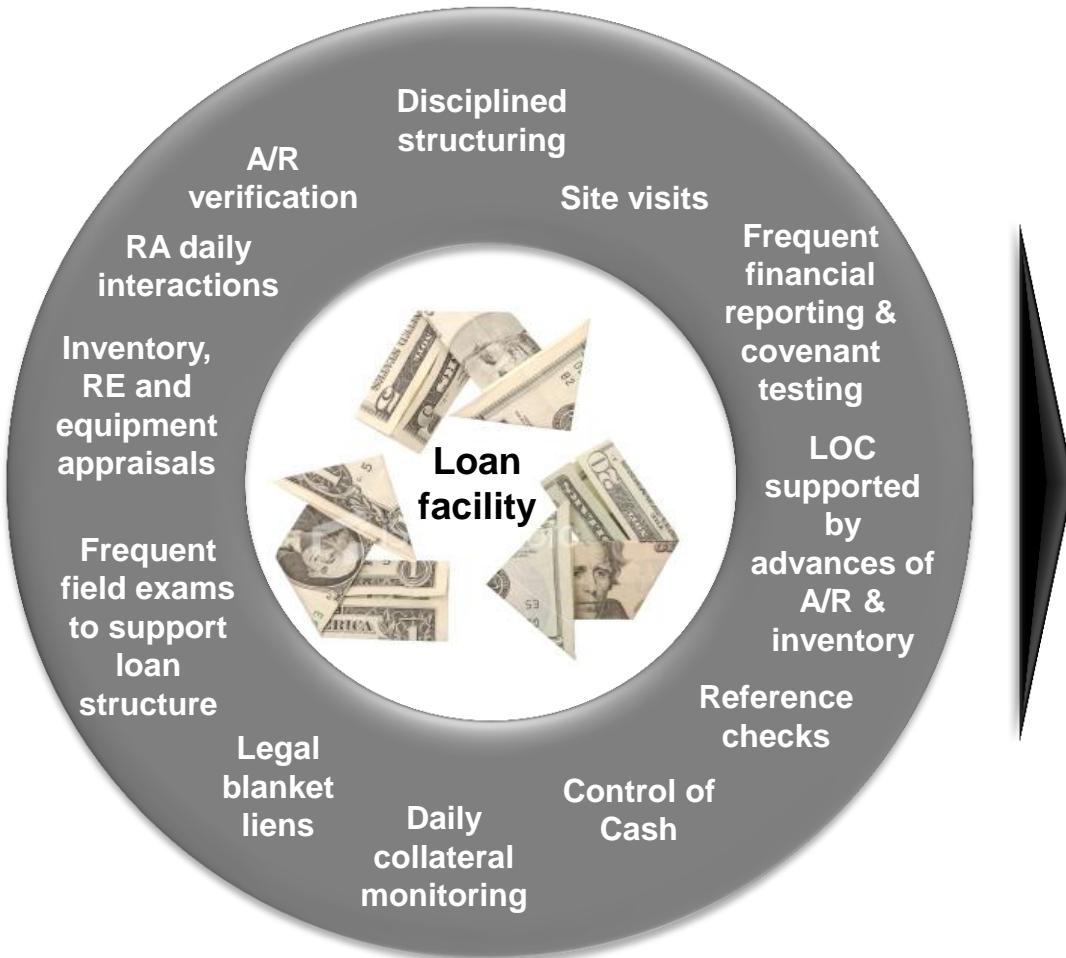
- Dedicated operations and examination groups to monitor collateral
- Daily, weekly or monthly borrowing base monitoring

Repayment Sources

- Operating cash flow of borrower
- Refinance by other bank or commercial finance company
- Liquidation of collateral
- Reliance on personal guarantees

ABL Credit Controls and Safety

ABL has significant controls and policies in place that reduces losses lower than a traditional C&I portfolio



ABL's stringent monitoring controls allows us to lend to companies with higher perceived risk characteristics such as:



Leverage



Tighter debt service coverage



Permanent inventory advances



Viable turnarounds

Risk and Collateral Capabilities

Differential risk-adjusted returns require deep understanding of asset markets and client sectors....



- **Deep understanding of asset values** to enable best judgment of ABL deal risk characteristics and minimize losses



- **Expertise in collateral analysis:** monitoring, disciplines and controls
- Expertise supported by **field exams and regular appraisals of inventory**
- **Credit risk is still important**, and banks have best visibility on customer cash flows to properly assess whether to lend

- **Continuous assessment of entire asset-based portfolio** to ensure that they are exposed to appropriate end-market risks



...leading to low historical losses

Agenda

Market Environment & Competitive Landscape

Business Unit Background

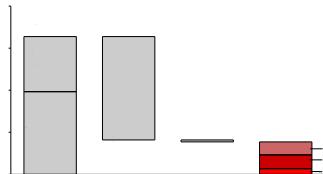
Business Plan 2014-2016

Key Conclusions

Appendix

Addressable ABL Market

Sovereign addressable ABL market in 2011 was \$39B

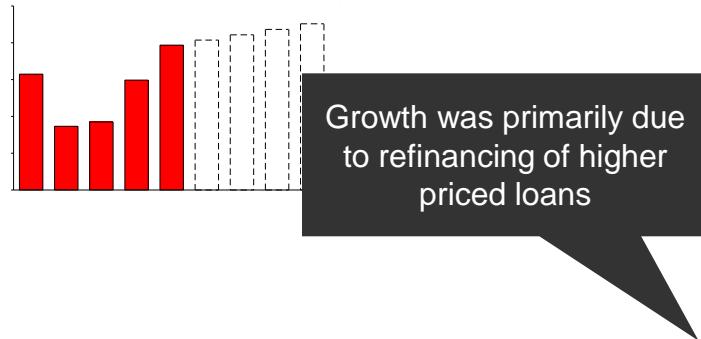


Note: Only includes deals over \$20M
Source: LPC, Bain analysis



ABL Market Growth

Addressable ABL market has grown at 6% over last 5 years, and is expected to continue moderate growth



Market refinancing ➤

Source: LPC, Bain analysis



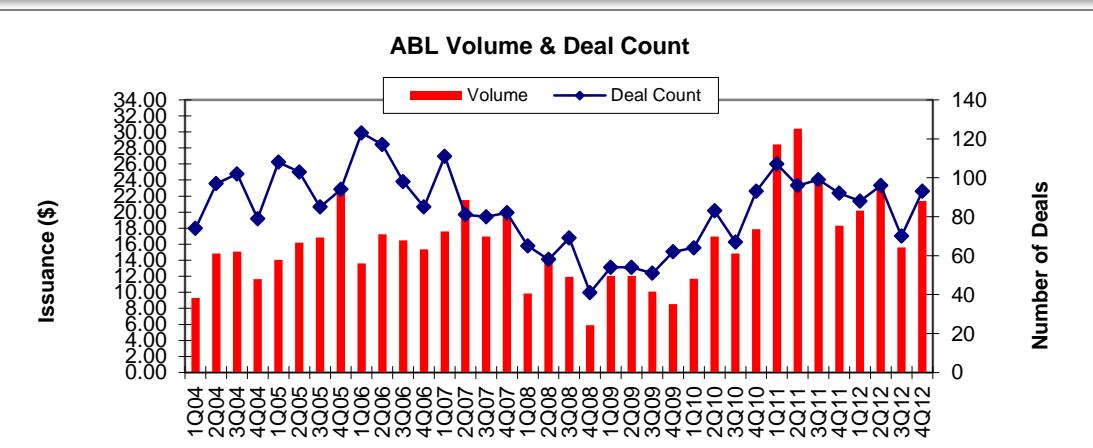
Syndication Market Environment

Market Update

- Market remains highly competitive
- Higher hold levels for both outstandings and economic reasons
- \$80B in 2012 deal flow, down from \$101B in 2011
- Banks that actively network with its key syndicate desks, as well as with its customers, will have a higher probability of receiving better opportunities
- Average drawn spreads were LIB+ 223 by year end, however, in practice, lenders noted that good quality credits were pitched well south of that in the range of 175-200bps

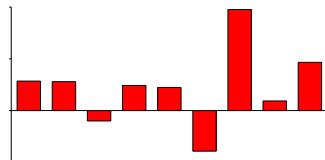
SOV Position

- Need to invest in more transactions to be considered for higher lucrative opportunities
- Currently, SOV is not as active as our peers in both the syndications market and club space
- ABL within SOV needs a more focused approach
- Product limitations in comparison to peers



Growth by Industry Vertical

Largest industry verticals have been growing at ~10% CAGR



Source: Bain & Company analysis based on data from various sources.

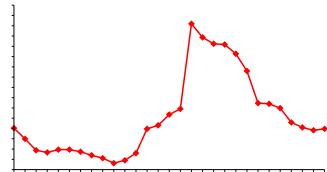
Note: Excludes Hotel & Gaming, Leisure and Entertainment, Textiles and Apparel, and Energy

Source: LPC

Note: Excludes Hotel & Gaming, Leisure and Entertainment, Textiles and Apparel, and Energy
Source: LPC

ABL Spreads

ABL spreads have tightened since 2008 but appear to be stabilizing at higher than pre-crisis levels



ABL used by companies in
tough credit situations to
recover or survive transition

US credit
crunch

Source: LPC

 Santander

Regulatory Impact

Basel III has led to regulatory uncertainty, but ABL, with its low risk cost, could come out on top

INCREASING SCRUTINY OF RISK INTRODUCED BY BASEL III

- While deals became more aggressive by several measures, they are now **far more likely to be scrutinized by credit committees** in the wake of Basel III implementation
- **Fronting risk and contingent liabilities** are increasingly under the microscope

IMPLICATIONS ARE SIGNIFICANT, BUT COULD BE LIGHTER ON ABL

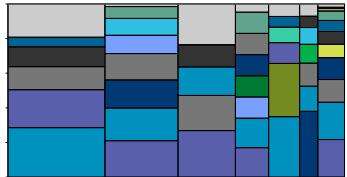
- **Capital requirements will rise**, hurting ROE across all lending
- **ABL could benefit relatively in terms of risk cost calculation** on the basis of regulatory recognition of the recovery rates and structural enhancements associated with ABL structures

Source: Lit search, GE Capital's CapitaLens



ABL Market Map

Top three lead over 60% of the syndicated ABL market in Sovereign's footprint



Bilateral market
is more
fragmented

Sovereign
current share
<1%

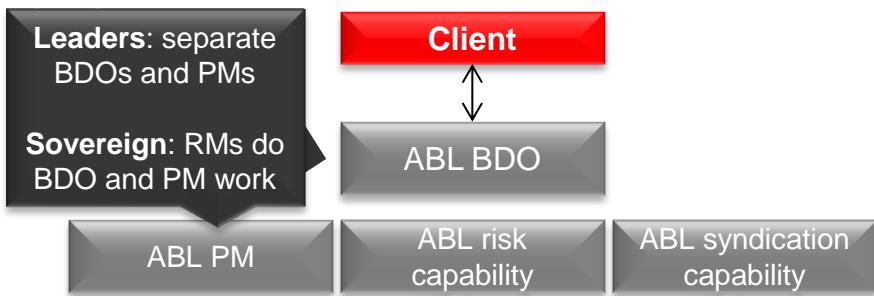
Note: Excludes Energy (Oil and Gas, Utilities), borrowers smaller than \$20M, borrowers out of Sovereign footprint; Syndicated assumed to be 50% of total new volume; Other competitors is all syndication leaders who represent less than 5% of industry new volume; Other industries are Healthcare, Services, Hotel & Gaming, Leisure and Entertainment, Textiles and Apparel
Source: LPC; Bain analysis



ABL Organizational Structure

Leaders tend to have dedicated ABL organizations, but some leaders further source ABL deals from Middle Market/Large Corporate

Competitors Use Client Driven Organizations



- Dedicated ABL BDOs
- ABL portfolio managers support ABL BDOs
- Specialized ABL risk function
- Supported by ABL syndication capabilities (sometimes dedicated desk)
- Typically regional organization, with vertical specialization

Source: Expert interviews



“Best in Class” models optimize the three areas of opportunity

- 1 **Full Coverage of Geography**
 - National sales force & offices
- 2 **Industry Verticals**
 - Specialization including Retail, Finance, Private Equity etc.
- 3 **Supported by dedicated syndications team**
 - Risk & syndications along side sales staff

Agenda

Market Environment & Competitive Landscape

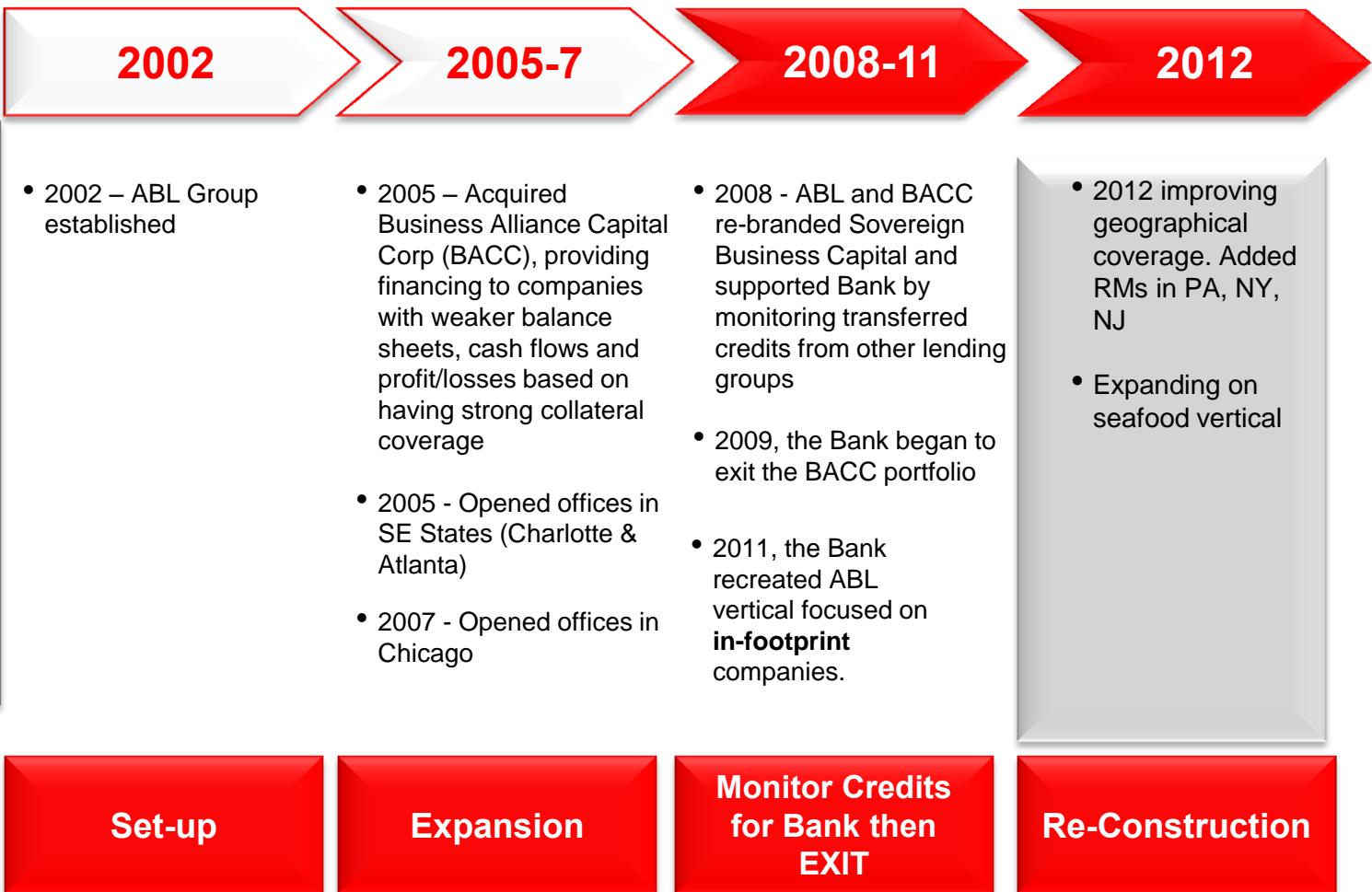
Business Unit Background

Business Plan 2014-2016

Key Conclusions

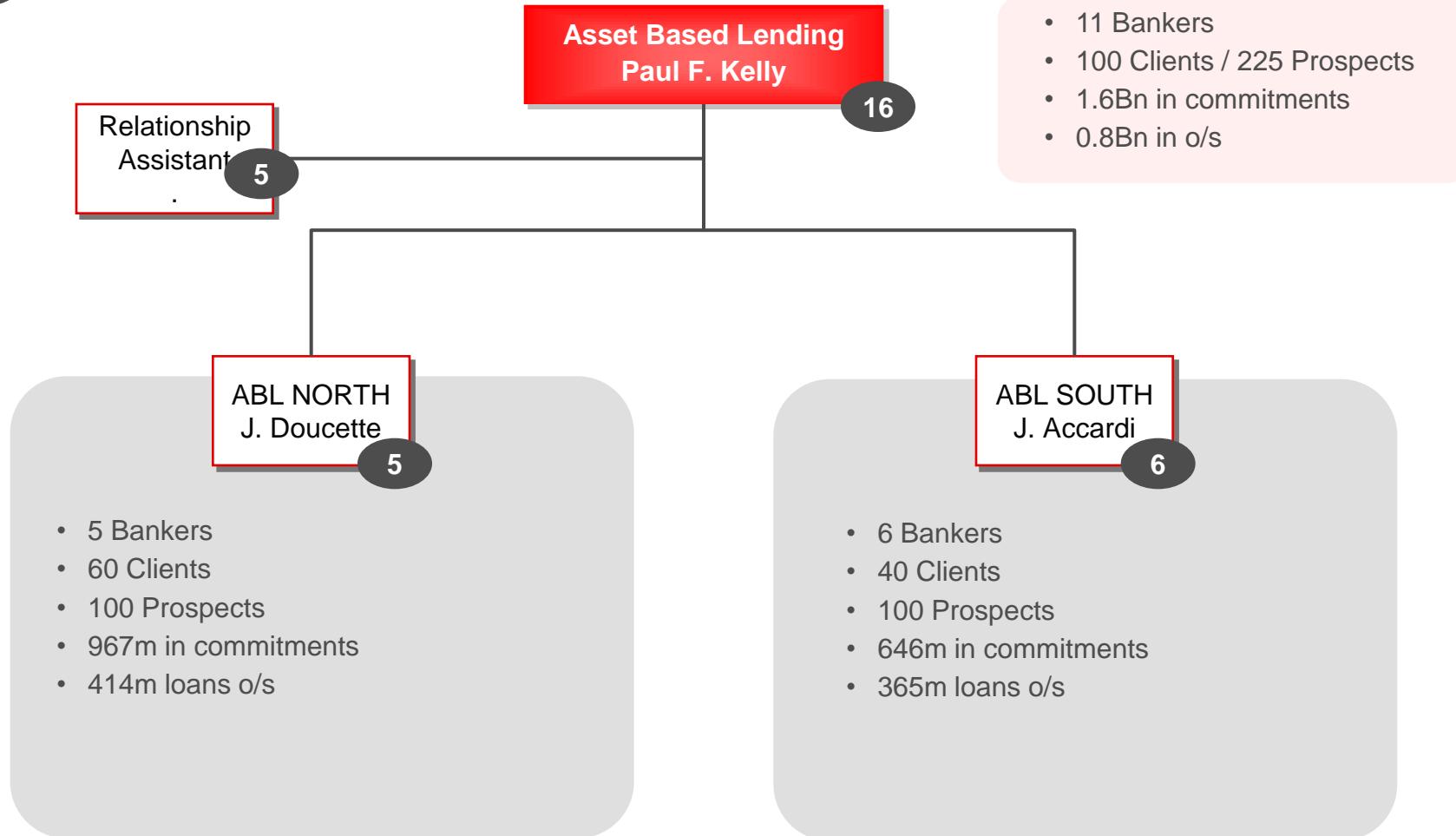
Appendix

Sovereign's ABL Unit History



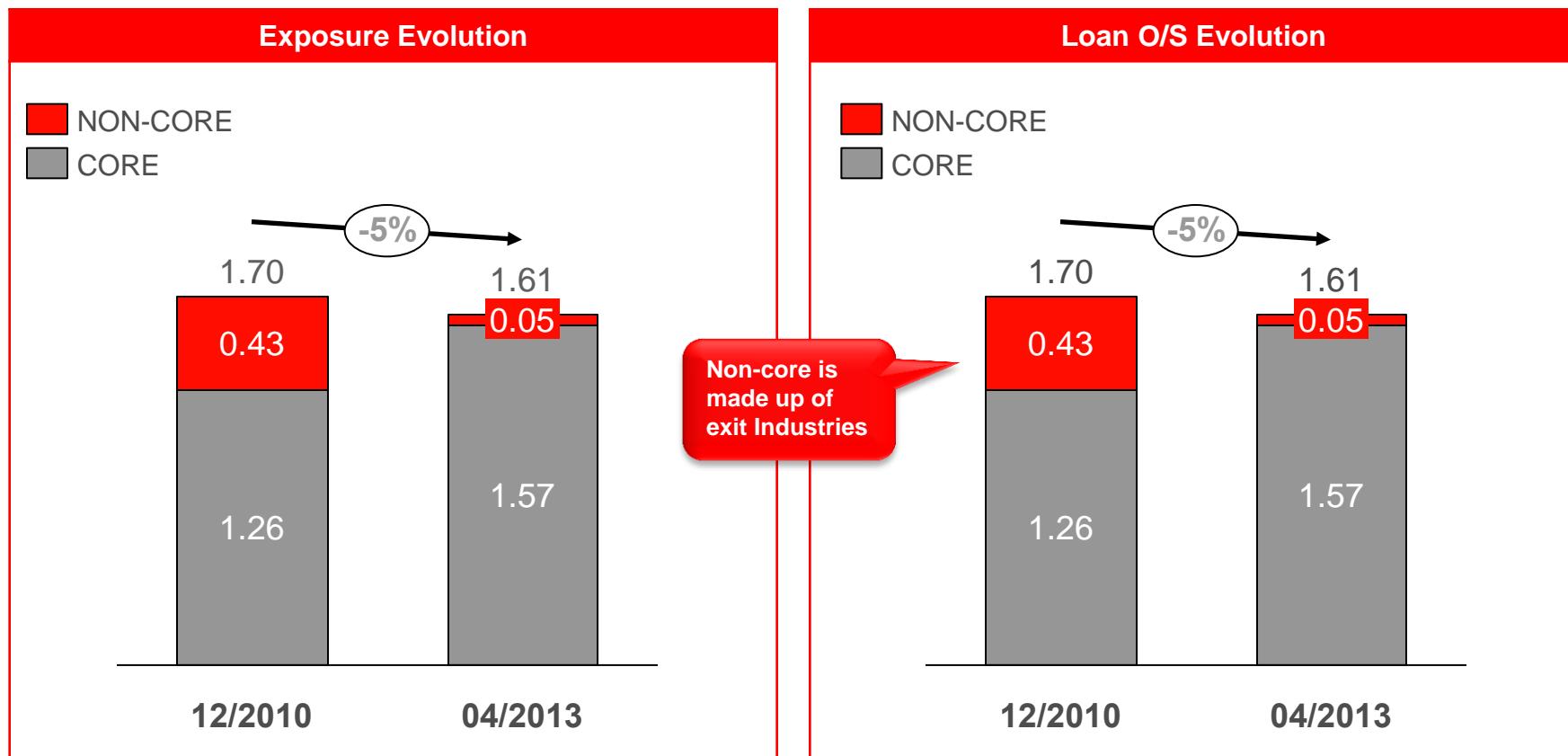
Organizational Hierarchy (ABL)

Current Headcount



Sovereign's ABL Loan Portfolio Trend

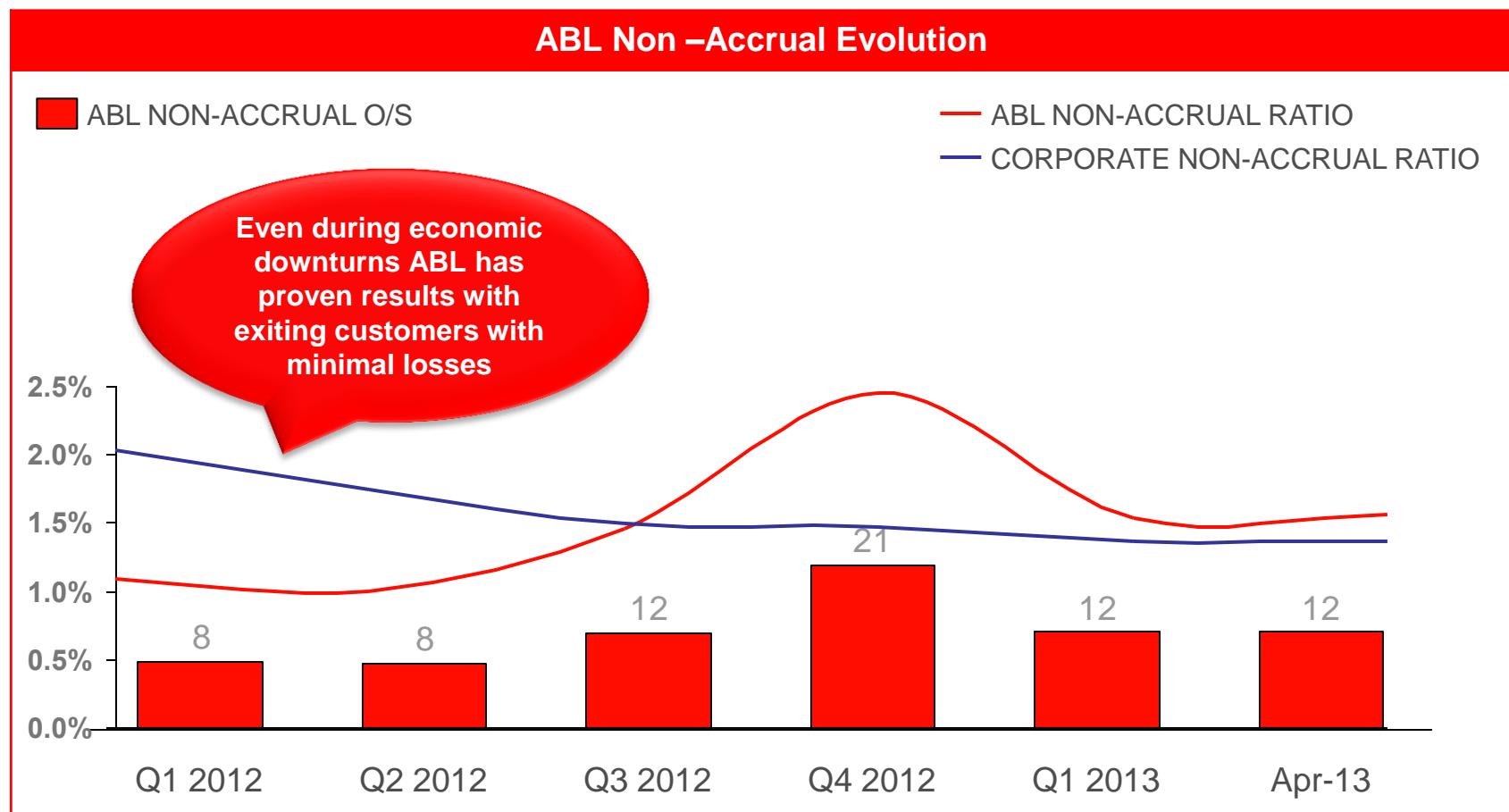
\$Bn



It's important to note that the non-core portfolio has resulted in zero losses due to the highly structured lending disciplines

Sovereign's ABL portfolio has a very low risk profile

\$MM



ABL Portfolio Composition

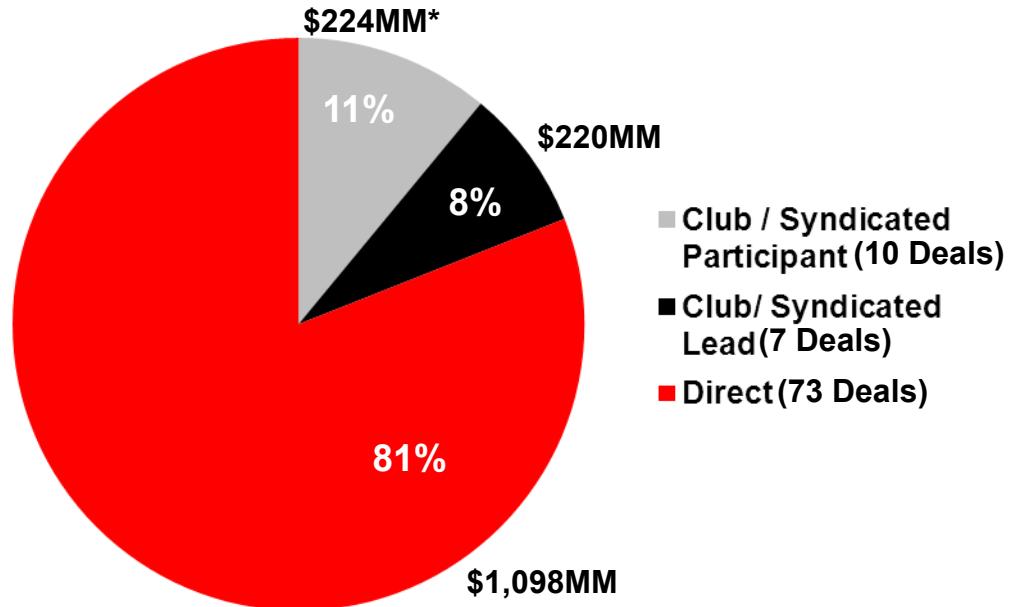
Sovereign's Core ABL portfolio is primarily direct originations...

Participation:

- Provide quick way to grow outstandings, however have less cross sales than direct

Direct & Lead:

- High cross sales but takes time to build

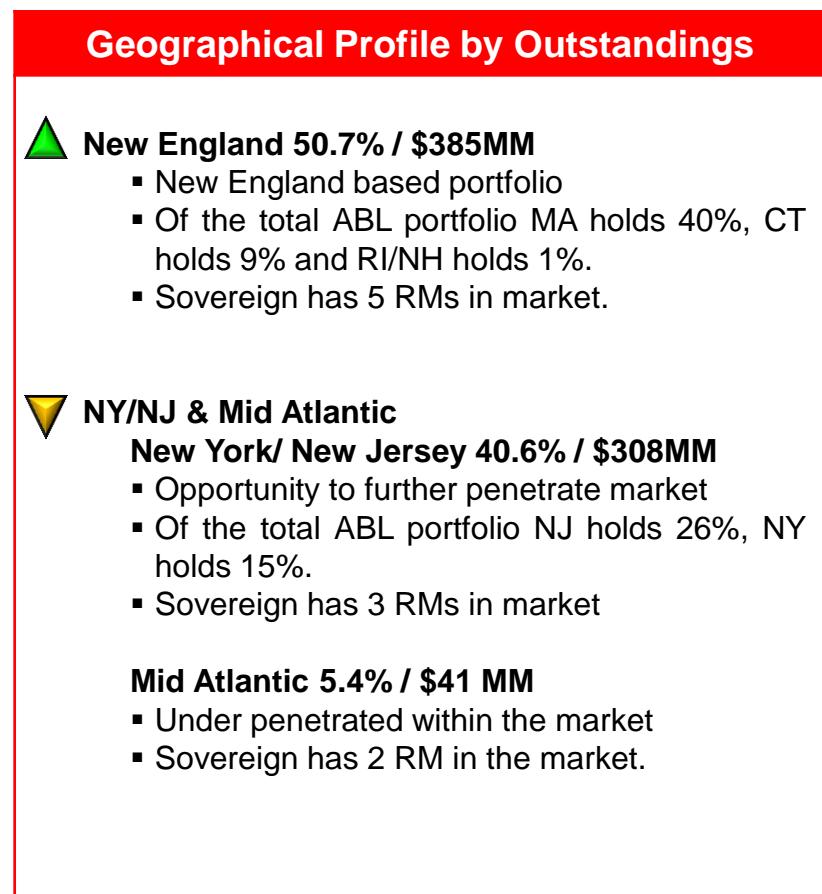
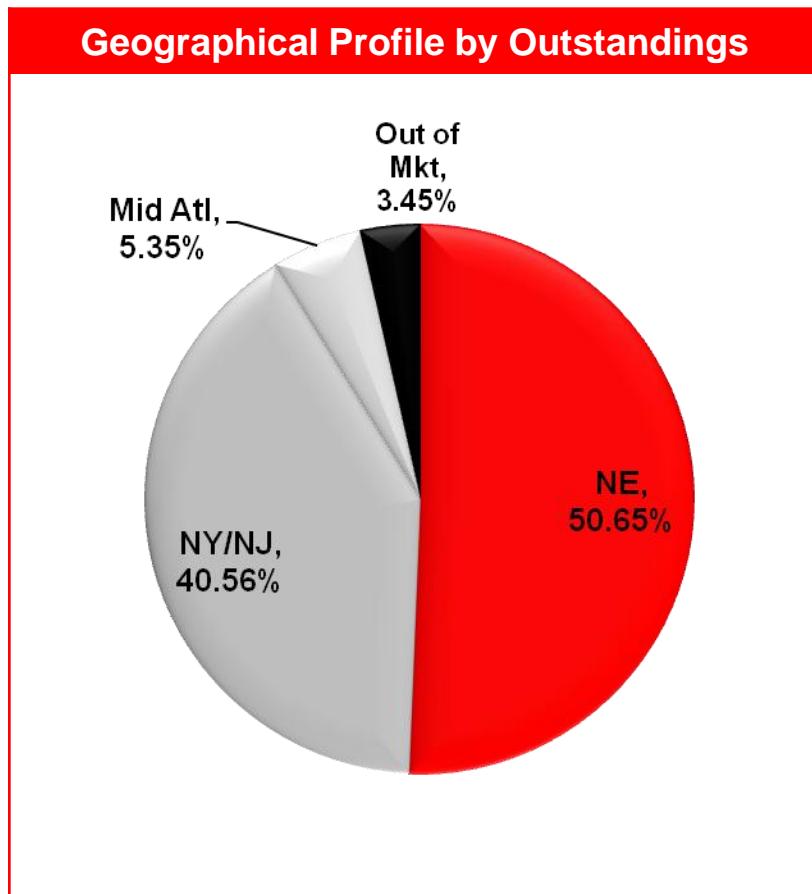


Total Commitments: \$1,543MM
Total O/S: \$758MM

Target to increase not only our direct business but our clubs & syndications to 1/3 of the total portfolio

Sovereign's ABL Portfolio Geographical Dispersion

There is an opportunity to increase market share within NY/NJ and Mid Atlantic states



Well penetrated market share



Under penetrated market share

Agenda

Market Environment & Competitive Landscape

Business Unit Background

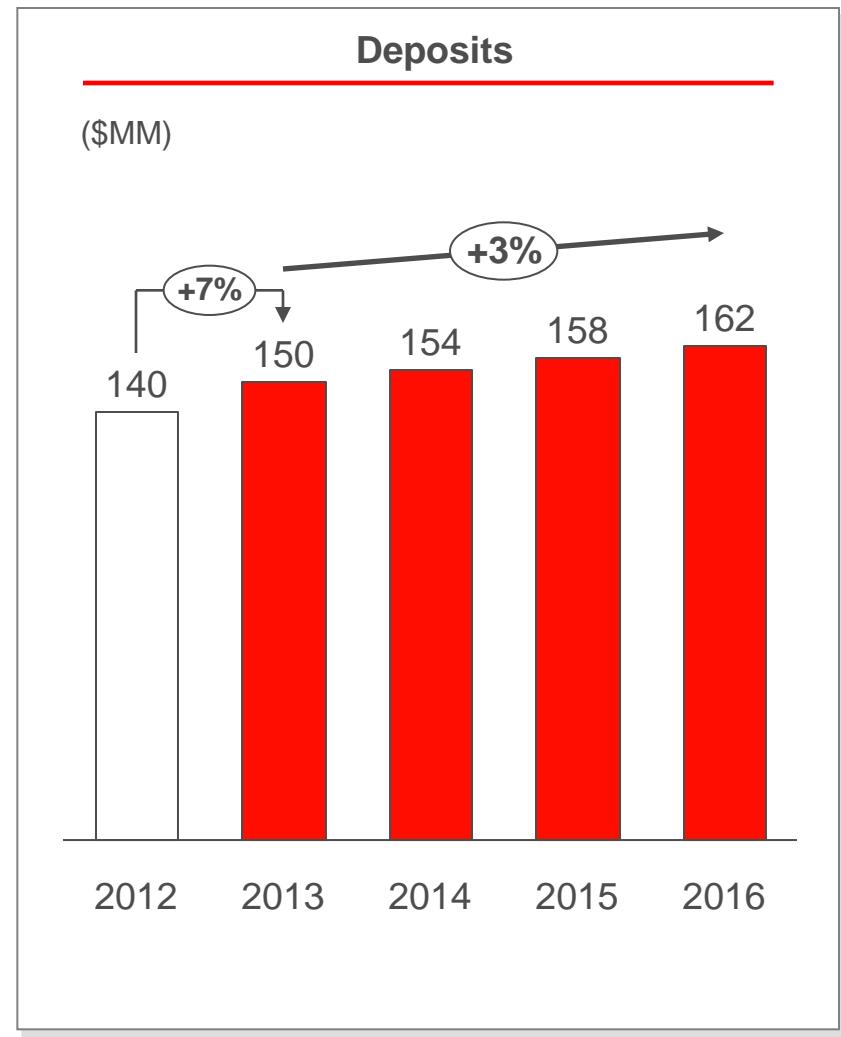
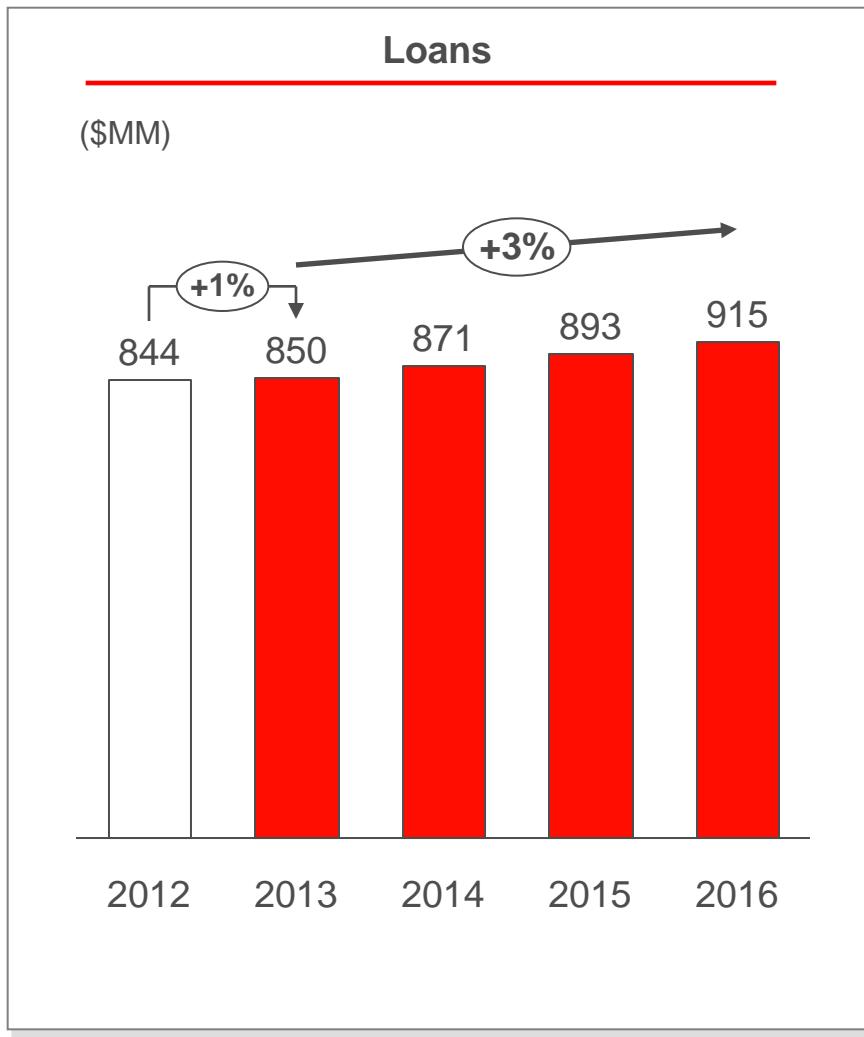
Business Plan 2014-2016

- Business-as-Usual
- Initiatives
- Consolidated Plan

Key Conclusions

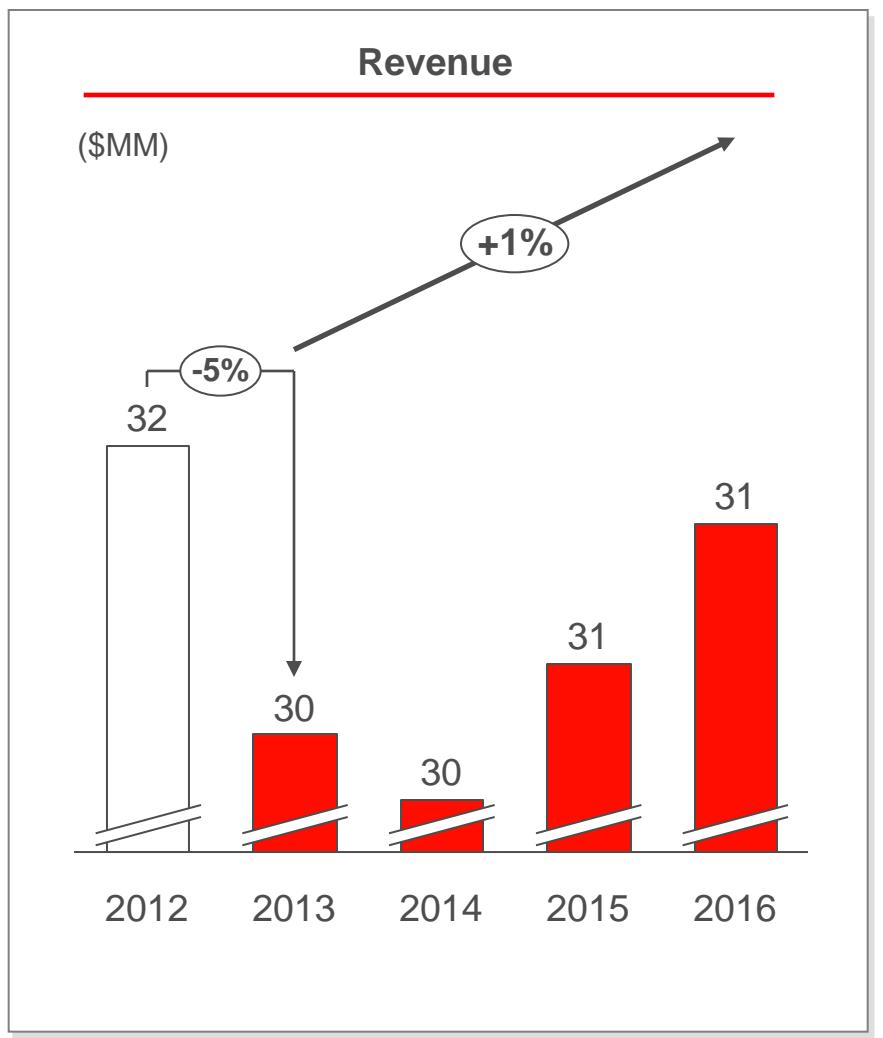
Appendix

BAU: Balance Sheet



Bal, \$Bn

BAU: Revenue & Initiatives



- Growth Drivers**
- 1 ABL Database Mining and Enhanced Call Program through Business Development vendor
 - 2 Private Equity and COI Call Strategy. Leverage new Syndicated Finance Specialty for referral sources
 - 3 Evaluating current portfolio for up-tier and targeting Syndications with existing capabilities

Agenda

Market Environment & Competitive Landscape

Business Unit Background

Business Plan 2014-2016

- Business as Usual
- Initiatives
- Consolidated Plan

Key Conclusions

Appendix

Initiatives to expand ABL



1

1. Grow through industry verticals and strategic acquisitions

- Retail: hire team leader and specialized RMs to establish as separate vertical within ABL
- Seafood: continue growing this existing vertical with additional headcount
- Acquisitions: evaluate and grow with portfolio and team acquisitions of similar ABL size and risk appetite as Sovereign

2

2. Further enhance syndication & club deal strategy

- Increase lead participation in syndicated deals with sell-down strategy
- Hire ABL syndications specialist to enhance market credibility
- Selectively participate in national syndicated names (e.g. Levis & Rite Aid)
- *Strengthen risk and operations accordingly*

3

3. Continue closing geographical coverage gaps for direct lending

- Enhance the current sub-scale RM coverage of the NY Metro and Mid Atlantic markets
- Increase participations in high-quality direct deals out-of-footprint (east of Chicago)
- *Strengthen risk and operations accordingly*

Grow through Industry Verticals and Strategic Acquisitions

Strategic Rationale



Why Industry Verticals?

- Industry Verticals is one of the three elements of the “Best in Class” Model in the US ABL industry. Wells Fargo specializes in Retail, Finance and Private Equity.
- They provide targeted sales management through clear organizational structures and show the market expertise and credibility
- Seafood is natural concentration that will be in continuous growth mode with internal management structuring and additional RMs
- Retail is growing at 11% CAGR and fits with our risk appetite and product set; need to hire team leader and specialized RMs to establish as separate vertical within ABL

Why Strategic Acquisitions?

- It allows the unit to grow inorganically and often at attractive pricing and return. The bank is supportive of this growth strategy for the Specialty business, as seen by the Rosebud portfolio acquisition by Energy Finance
- ABL would consider acquisitions of portfolios and/or teams with similar risk appetite as Sovereign; aligning our focus with the industries in the Verticals strategy
- The market has seen recent attractive transactions, such as:
Portfolio Acquisitions Examples: Flag Star purchase, AIB, Foreign Bank
Team Purchases: Retail – RBS Business Capital

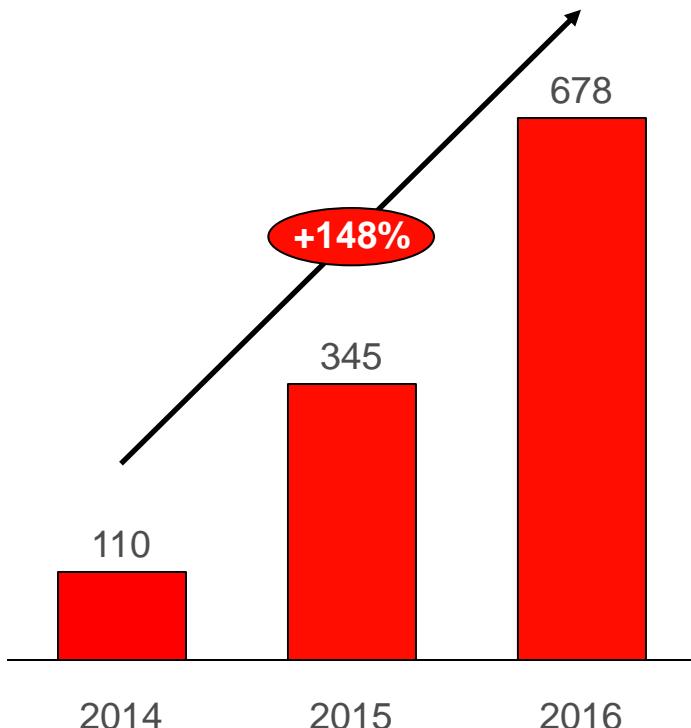
Grow through Industry Verticals and Strategic Acquisitions

Profitability



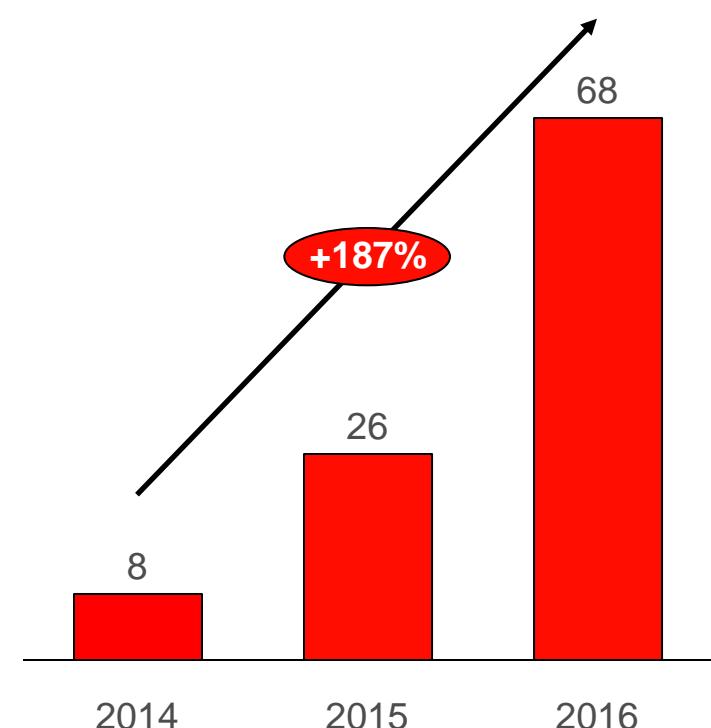
Incremental Loan Outstanding 2014-2016

\$MM



Incremental Deposits 2014-2016

\$MM



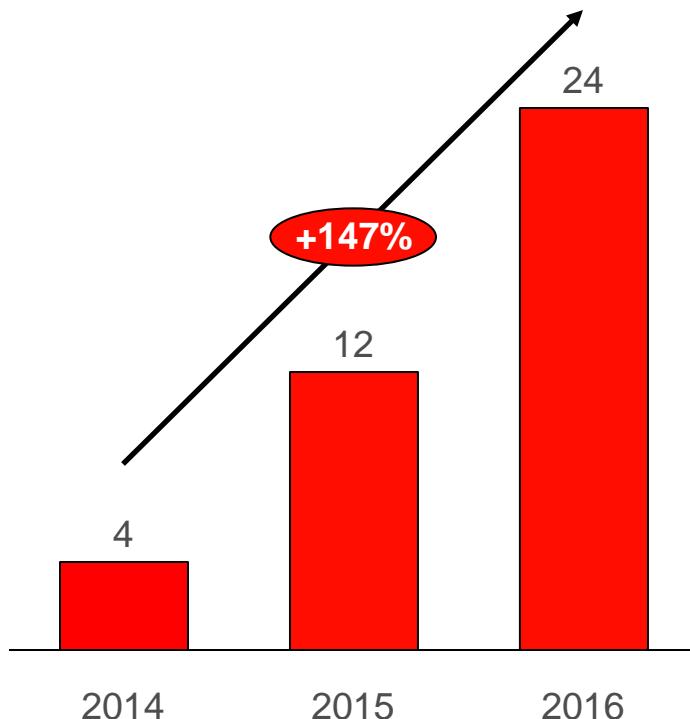
Grow through Industry Verticals and Strategic Acquisitions

Profitability



Incremental Revenue 2014-2016 (\$000's)

\$MM



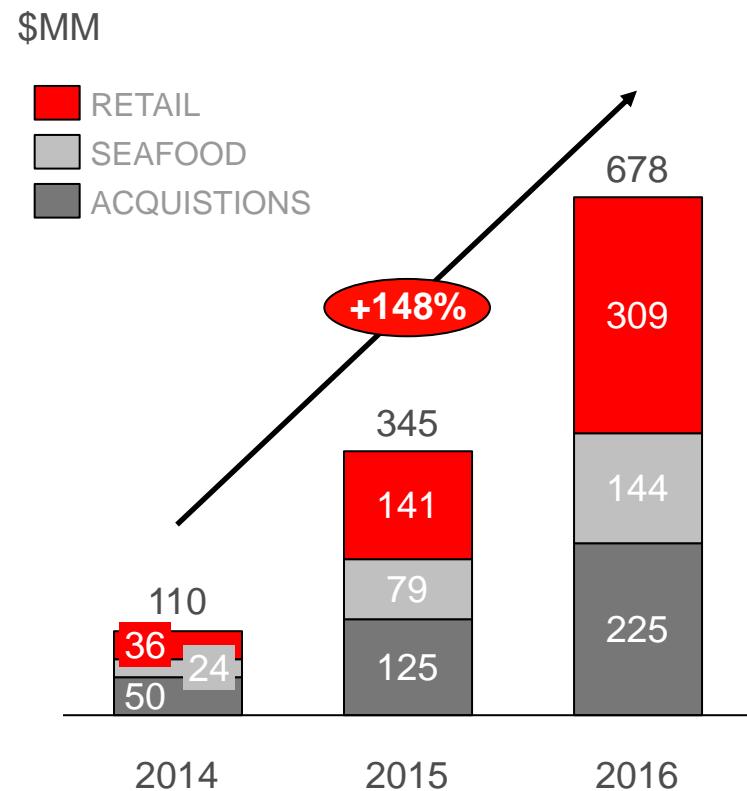
Grow through Industry Verticals and Strategic Acquisitions

Profitability

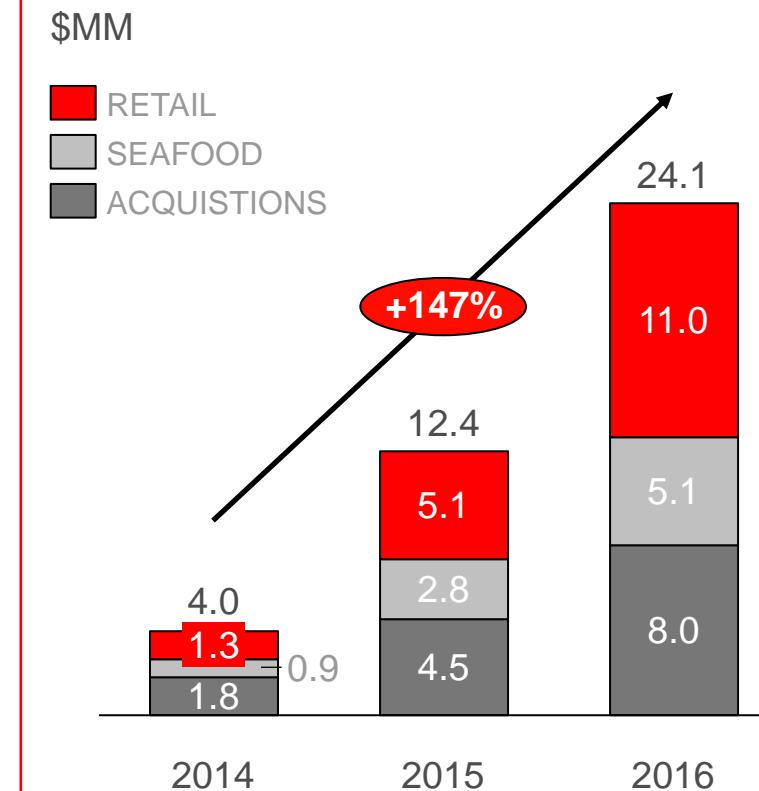


These growth sources can bring an additional \$24MM in revenue by 2016

Average loans O/S by vertical



Total Revenue by vertical



Grow through Industry Verticals and Strategic Acquisitions

Risks and Resources



People

Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
				2014	2015	2016	
Corporate Banking	Relationship Manager	ABL	7	4	1	2	TBD
Corporate Banking	Relationship Assistant	ABL	4	1	1	2	TBD
Credit Risk	Credit Risk Officer	ABL	4	1	1	2	TBD
TOTAL			15	6	3	6	

Possible Risks & Mitigants

RETAIL

Risk:

- Higher individual exposure levels compared to BAU and requires larger geographic coverage
- Risk Rating will need to be reviewed to represent lower losses and defaults

Mitigants:

- Retail sector has demonstrated lower loan default & losses in ABL industry and will improve portfolio diversification
- Existing Santander underwriting standards will be applied to customers and prospects

STRATEGIC ACQUISITIONS

Risk:

- Initial underwriting was not completed by Bank
- Often requires a fast turnaround time

Mitigants:

- Portfolio will be underwritten and approved by Santander's credit committee.

Enhance Syndication and Club Deal Strategy

Strategic Rationale



Why Syndication And Club Deal Focus?

Participant
 Total Exposure: \$224MM
 Total O/S: \$144MM
 Avg. Ancillary Income: \$85M
 # of Deals: 10
 Avg. Spread: 2.50%
 Avg. ORR: 5.3
Examples
 ▪ Medical Depot- 4.9
 ▪ Barnett- 5.1
 ▪ Alpha Industries- 6.3
 ▪ BJ's Wholesale Club- 4.7

Increasing our presence in the syndications market will lead to greater visibility in the market, greater volumes and higher degrees of income

~10-13% RAROC



~14-16% RAROC

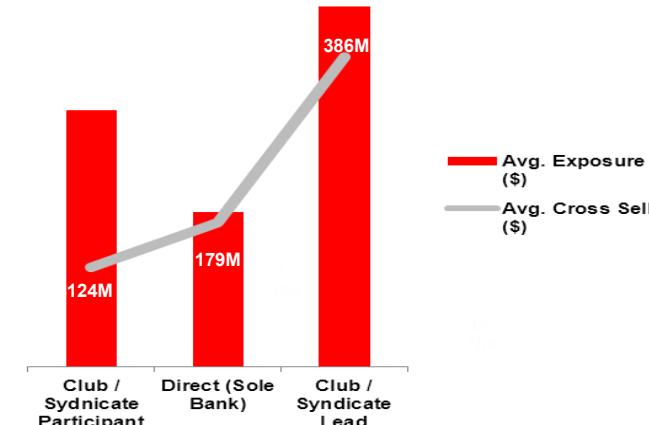


Lead

Total Exposure: \$220MM
 Total Balance: \$124MM
 Avg. Ancillary Income: \$172M
 # of Deals: 7
 Avg. Spread: 2.80%
 Avg. ORR: 5.5

Examples

- Great North. Products- 5.1
- FIBA Technologies- 6.2
- Hazen Paper-4.0
- Sears Hometown- 5.8
- N. Coast Sea Foods- 6.0



Proposed Guidelines

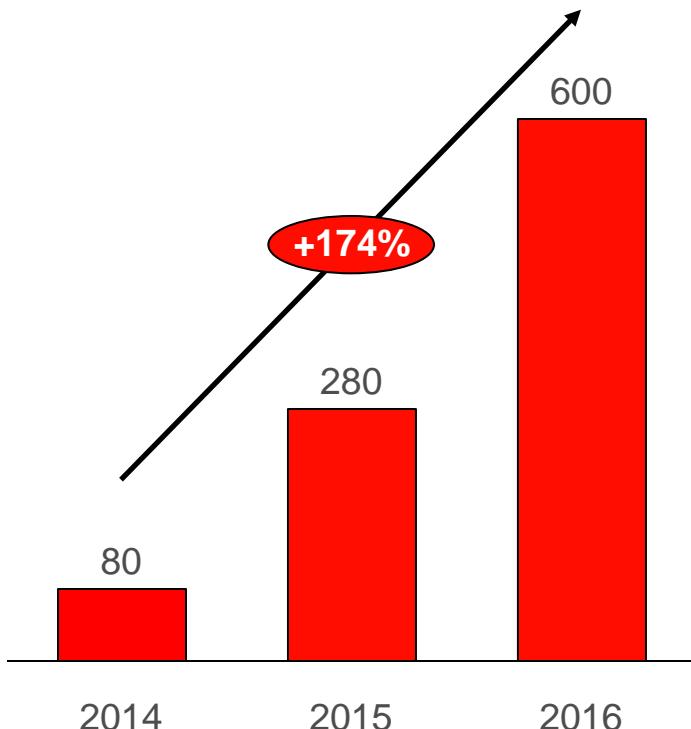
	In Footprint	Out of Footprint
Seek a \$35MM hold for opportunities with a strong business plan > 12% return over a 3 year period	✓	✓
Up-tier credit worthy borrowers up to \$50MM when more favorable economics occurs	✓	✓
Maximum of \$25MM for higher risk borrowers targeting high income producing opportunities	✓	✓
Increase market penetration by targeting lead positions by underwriting up to \$100MM* with a sell down strategy	✓	
Selectively participate in large national syndications with cross-sell and >12% return opportunity over 3 years		✓
\$200MM maximum for the year 2013 for branded out of market names with ability to up-tier and cross sell		✓
Minimum ORR**	4.3	4.8

Enhance Syndication and Club Deal Strategy *Profitability*



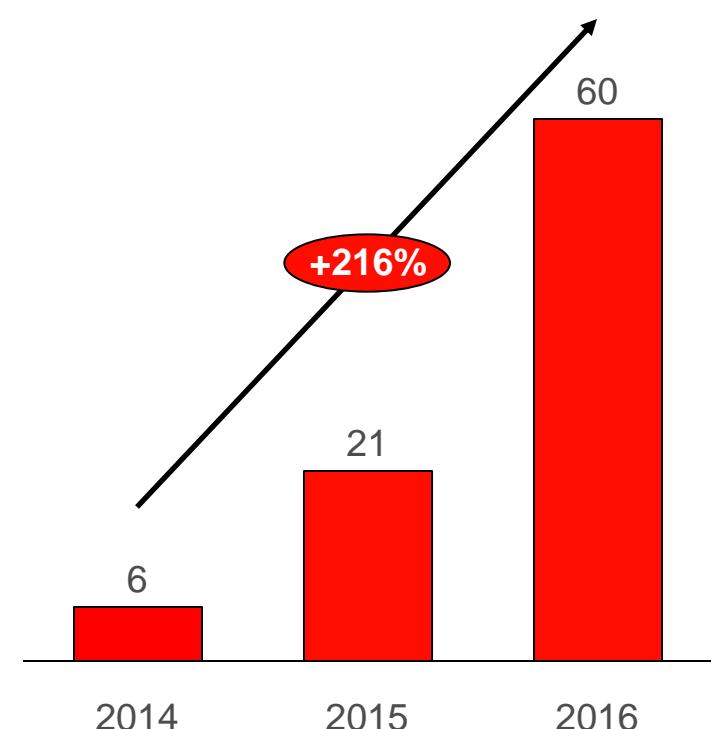
Incremental Loan Outstanding 2014-2016

\$MM



Incremental Deposits 2014-2016

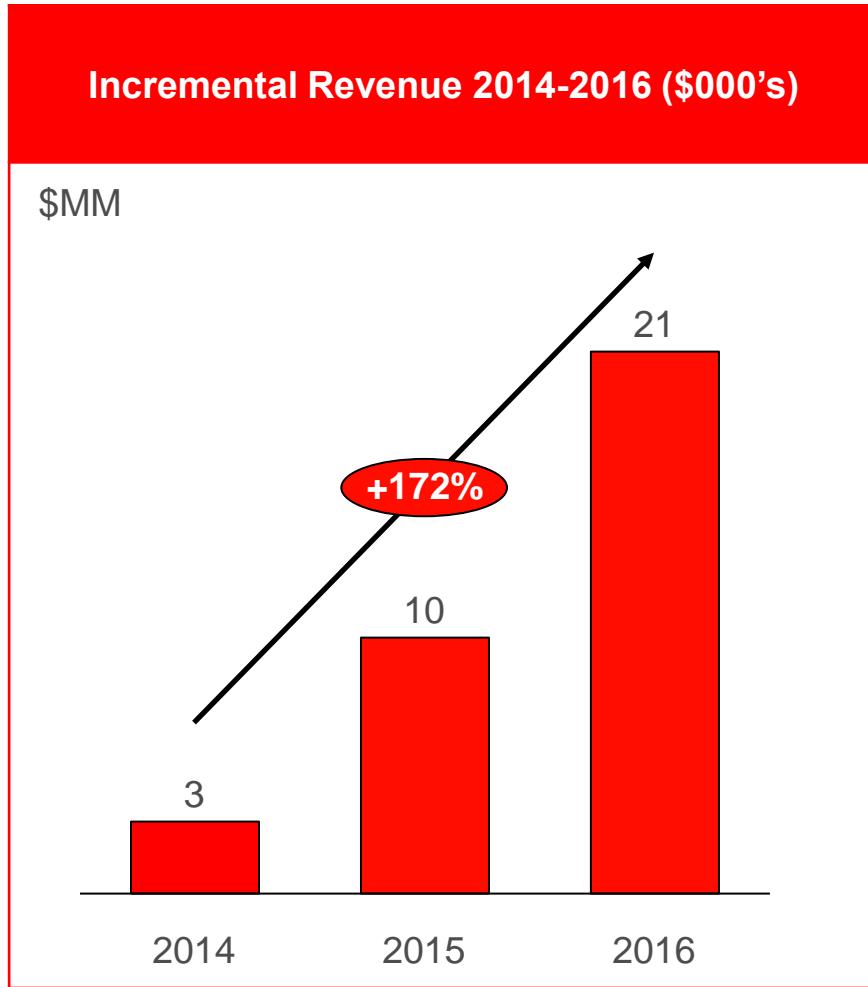
\$MM



Enhance Syndication and Club Deal Strategy Profitability



\$21MM in incremental revenue can be originated through this initiative



Enhance Syndication and Club Deal Strategy

Profitability



People

	Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
					2014	2015	2016	
Corporate Banking	Relationship Manager	ABL	4		2	1	1	TBD
GBM	Product Specialist	ABL	1		1			TBD
TOTAL			5		3	1	1	

IT

	Project Name	Business Driver	Description	Delivery date	Estimated cost

Possible Risks & Mitigants

Risk:

- Higher individual exposure levels compared to BAU and requires larger geographic coverage.
- Risk Rating will need to be reviewed to represent lower losses and defaults.

Mitigants:

- ABL Syndication market has demonstrated lower loan default & losses in ABL industry and will improve portfolio diversification
- Existing Santander underwriting analysis and due diligence practices will be applied to customers and prospects

Increase Geographical Coverage for Direct Lending

Strategic Rationale



- There is an opportunity to increase market share within NY/NJ and Mid Atlantic states, as well as going selectively out-of-footprint



New England 50.7% / \$385MM

- New England based portfolio
- Of the total ABL portfolio MA holds 40%, CT holds 9% and RI/NH holds 1%.
- Sovereign has 5 RMs in market.



NY/NJ & Mid Atlantic

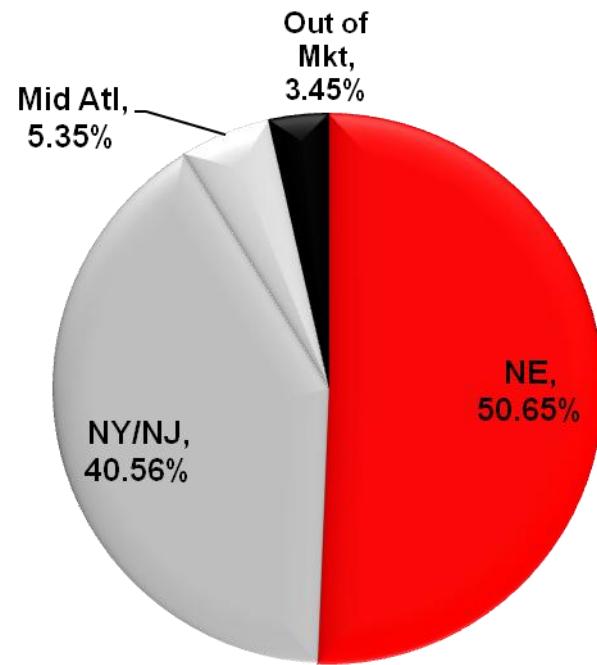
- New York/ New Jersey 40.6% / \$308MM
- Opportunity to further penetrate market
 - Of the total ABL portfolio NJ holds 26%, NY holds 15%.
 - Sovereign has 3 RMs in market

Mid Atlantic 5.4% / \$41 MM

- Under penetrated within the market
- Sovereign has 2 RM in the market.

**Why enhancing
Geographical
Coverage?**

Geographical Profile by Outstandings



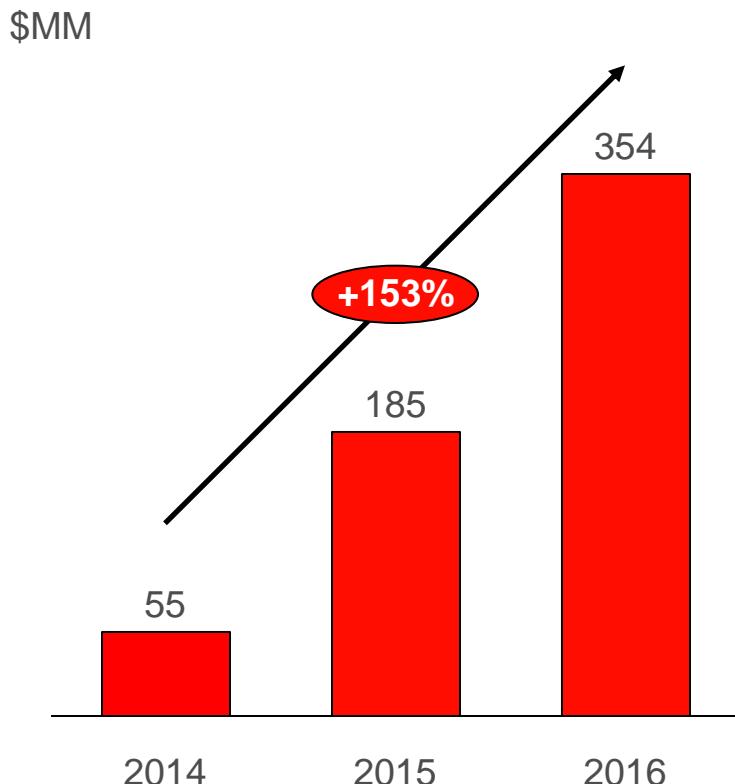
▲ Well penetrated market share

▼ Under penetrated market share

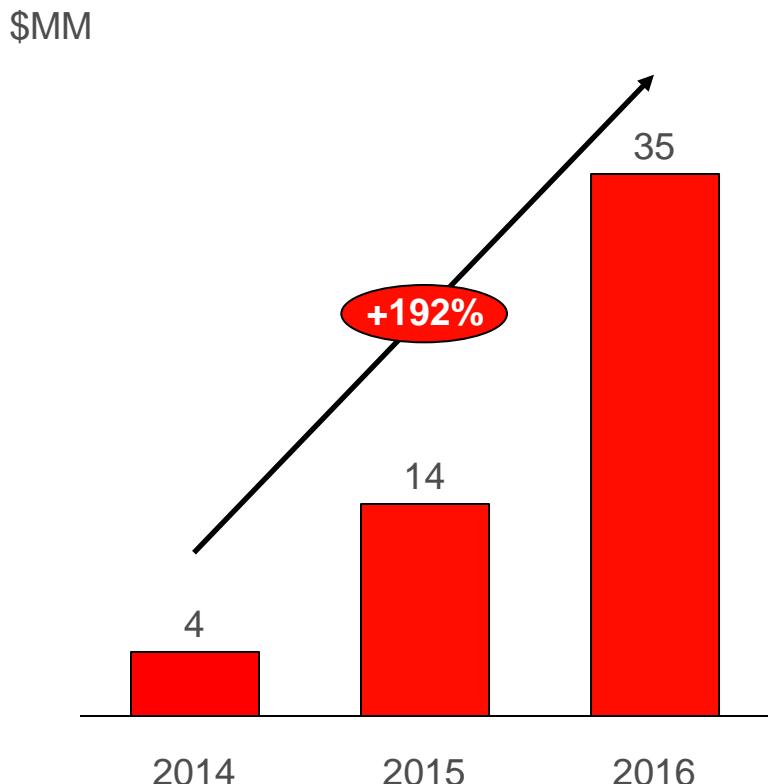
Increase Geographical Coverage for Direct Lending *Profitability*



Incremental Loan Outstanding 2014-2016



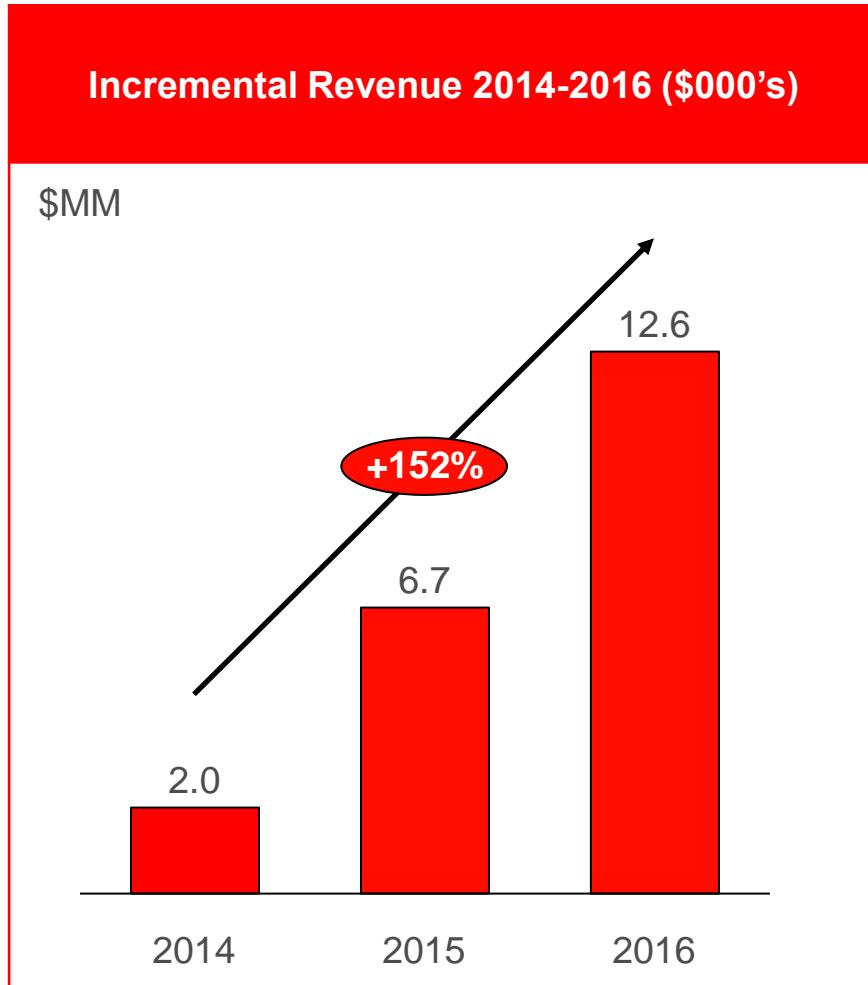
Incremental Deposits 2014-2016



Increase Geographical Coverage for Direct Lending Profitability



Expanding geographical coverage can bring up to \$13MM in revenue by 2016



Increase Geographical Coverage for Direct Lending

Risks and Resources



People

	Division	Function	Area to Support	# of FTEs	Timeline for hiring	Estimated cost per HC per Year
	2014	2015	2016			
Corporate Banking	Relationship Manager	ABL	6	4	1	1
TOTAL			6	0	0	0

IT

	Project Name	Business Driver	Description	Delivery date	Estimated cost

Possible Risks & Mitigants

- Expanding geographically will reduce our concentration risk

Agenda

Market Environment & Competitive Landscape

Business Unit Background

Business Plan 2014-2016

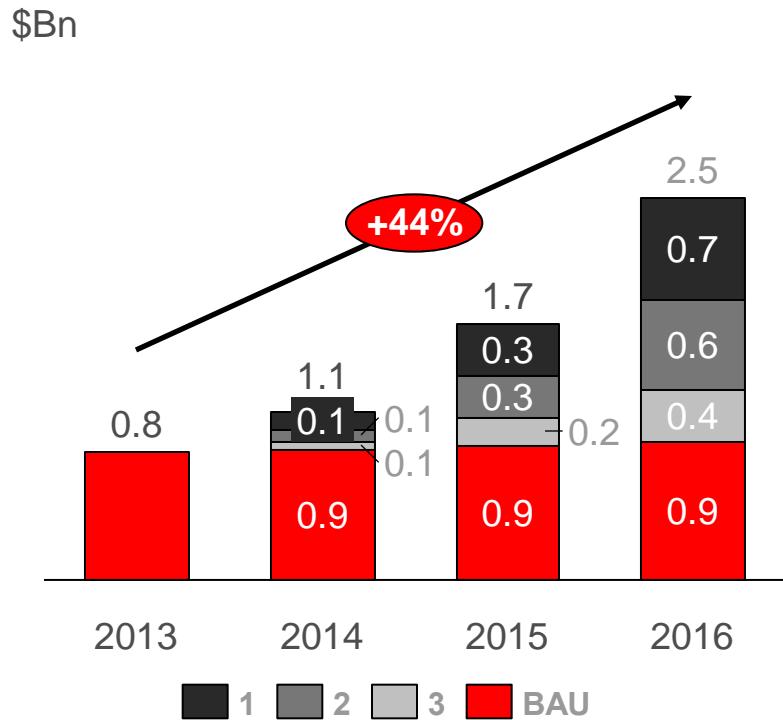
- **Business as Usual**
- **Initiatives**
- **Consolidated Plan**

Key Conclusions

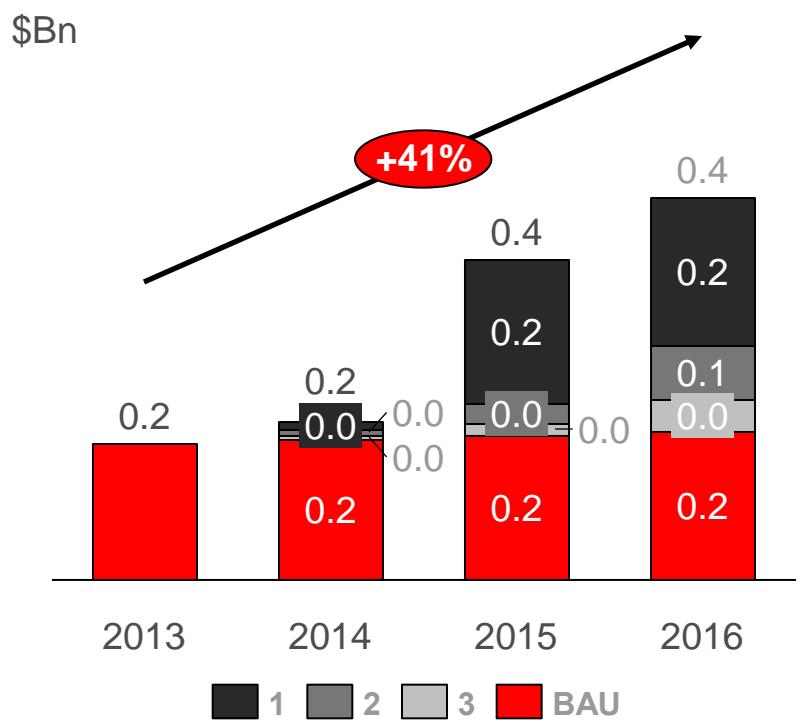
Appendix

ABL 2016 Plan

Loan Outstanding 2013-2016 (\$MM)

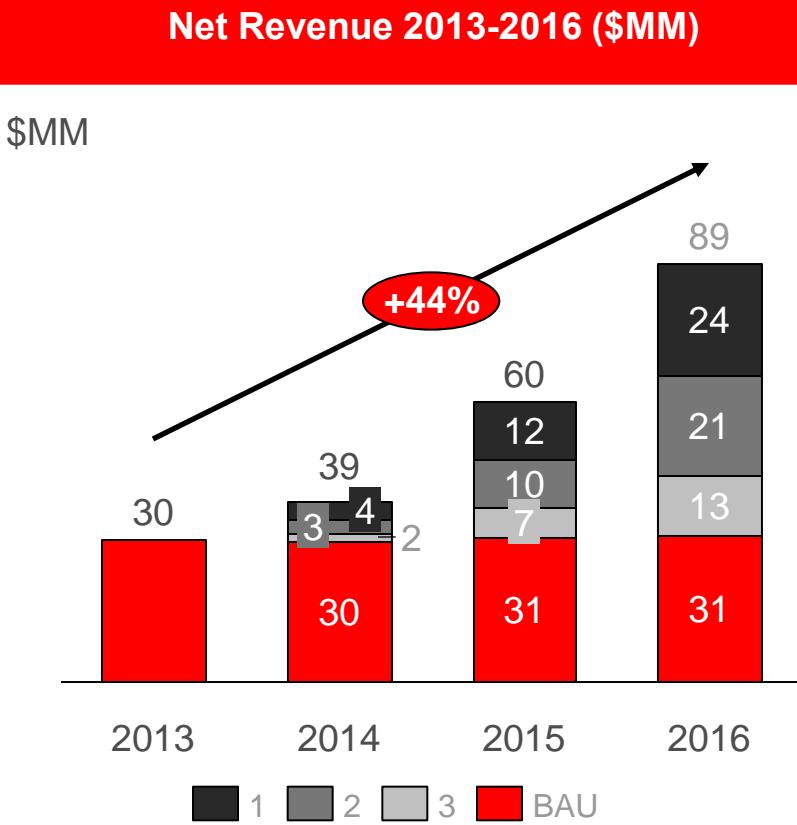


Deposit Balances 2013-2016 (\$MM)



With initiatives the portfolio will triple by 2016

ABL 2016 Plan



Net Revenue by Component 2013-2016 (\$MM)

With initiatives ABL revenue can grow by an additional \$38MM by 2016

Resource Requirements: People

Division	Function	Number of FTEs	Timeline for hiring			Estimated cost per HC per Year
			2013	2014	2015	
ABL	RM	14	12	2		TBD
ABL	JR RM	3	2	1		TBD
ABL - Risk	Credit	2	2			TBD
ABL - Ops	Operations	3	2	1		TBD
ABL - Audit	Field Audit	1		1		TBD
ABL	RA	3	2	1		TBD
Total		26	20	6	0	TBD

*Projections pending build up of ABL syndications capabilities

Agenda

Market Environment & Competitive Landscape

Business Unit Background

Business Plan 2014-2016

Key Conclusions

Appendix

Key Conclusions

- Sovereign ABL group has **strong expertise in risk, operational and collateral controls** that have enabled the bank to achieve strong returns with low losses
- However, **Sovereign is under-represented** in the regional ABL market, with less than 1% share of new volumes, so we are focused on rebuilding the business
- Our plan is to focus on **attractive verticals, enhance syndication strategy and improve coverage** to enable us to grow, diversify, and improve penetration
- To fully execute our plan we will need to invest in **specialized sales and syndication talent** and build **verticals**
- **With initiatives ABL can triple it's current outstanding balances and bring an additional \$38MM over BAU revenue by 2016**

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Business Unit Background

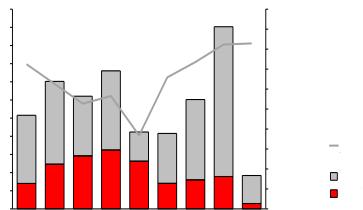
Business Plan 2014-2016

Key Conclusions

Appendix

ABL Re-financings

Recent market growth has been driven by re-financings instead of new money





Competitive Positioning

Leading Banks/Commercial Finance institutions have stronger presence in syndicated ABL market



21%



22%



13%



GE Capital



PNC



Market share
(lead syn, in-
foot)

deals (lead,
syn, in-foot)

Deal type

- Syndicated
- Club
- Direct

- Club
- Direct
- Limited syndicated

- Primarily direct
- Some club
- Very limited syndicated

Deal size

- All sizes (primarily \$100M+)

- Primarily under \$100M, select larger deals

- Primarily under \$100M

Bank footprint

- National

- National

- National

- National

- Regional

- Regional

Sometimes play nationally

Note: *PetraChem deal in 2001, though not included in LPC data
 Source: LPC; Expert interviews; Sovereign materials

ABL Monitoring Structure

Collateral (i.e. accounts receivable and inventory) is the primary source of repayment therefore monitored more strictly than traditional secured loans.

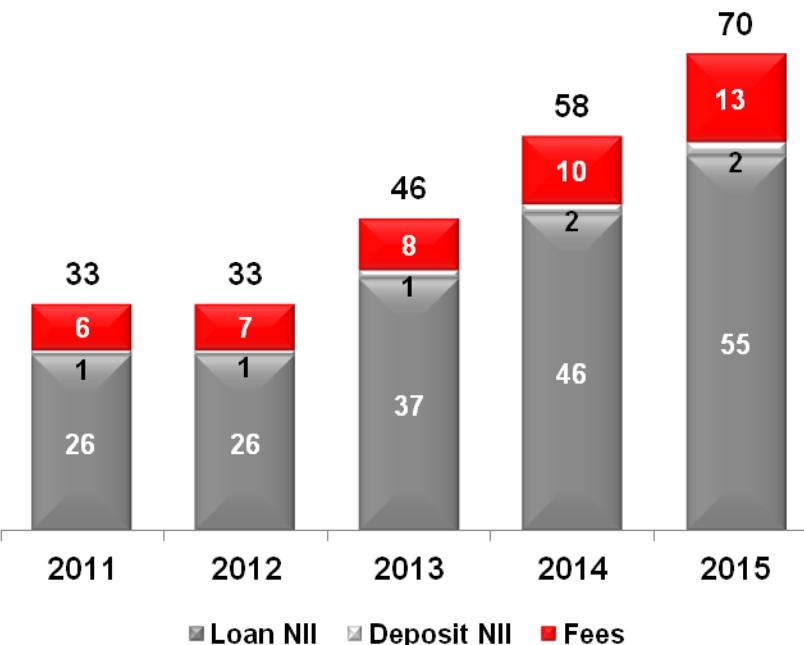
- Dedicated operations and examination groups to monitor collateral
- Loans maintained on Stuckey system, specialty program
- Daily, weekly or monthly borrowing base certificates with updated collateral and availability figures
- Collateral examinations by bank personnel on a regular basis
- Regular verification, with account debtors
- Monthly collateral review and reconciliation by operations area

Controls allow early identification of issues. This has meant ABL has exited problem loans or has closed-down numerous facilities with full recovery to the bank

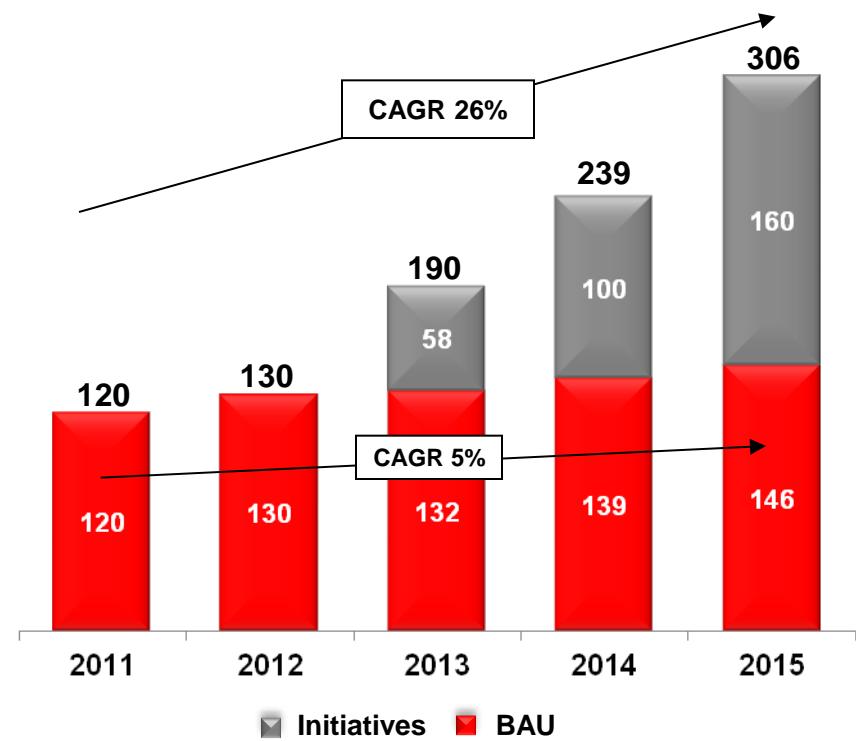
- Cherry Dale Foods (\$15MM facility), successful liquidation
- Munirie (\$13.5MM), successfully exited as a result of early signs of risk
- Main Steel (\$7.4MM) successfully reduced & exited as a result of early warning sign
- North American Propane (\$30MM) successfully reduced & exited as a result of early warning sign

ABL 2015 Plan Deposits & Revenue

Net Revenue by Component 2011-2015 (\$MM)



Deposit Balances 2011-2015 (\$MM)



With initiatives the portfolio will reach \$2Bn by 2015

* Deposits are limited due to structural cash controls of ABL

Government & Education

2016 Strategic Plan

Boston – June 2013



Agenda

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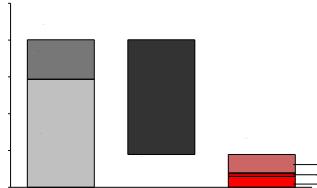
Business Plan 2014-2016

Key Conclusions

Appendix

Deposit market potential

Sovereign has ~2% market share of \$89B in-footprint deposit market

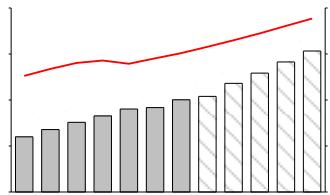


Total SOV
deposits are
\$1.8B, or ~2%
of market

Note: Tier 1 defined as entities with population of > 100K;; tier 2 and 3, defined as entities with population of <100K. Tiers % estimated using % of addressable market municipal loans
Source: Federal Reserve Flow of Funds report; Bureau of Economic Analysis

Forecasted deposit growth

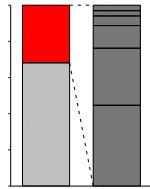
Deposits from state and local governments are expected to grow at ~10% p.a. over next 4 years



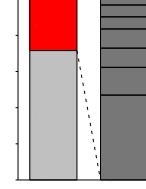
Debt market potential

There is over \$100B in new municipal debt issuance each year in Sovereign's footprint. Margins are thin since most financing is obtained through competitive bid.

SHORT-TERM NOTES



LONG-TERM BONDS

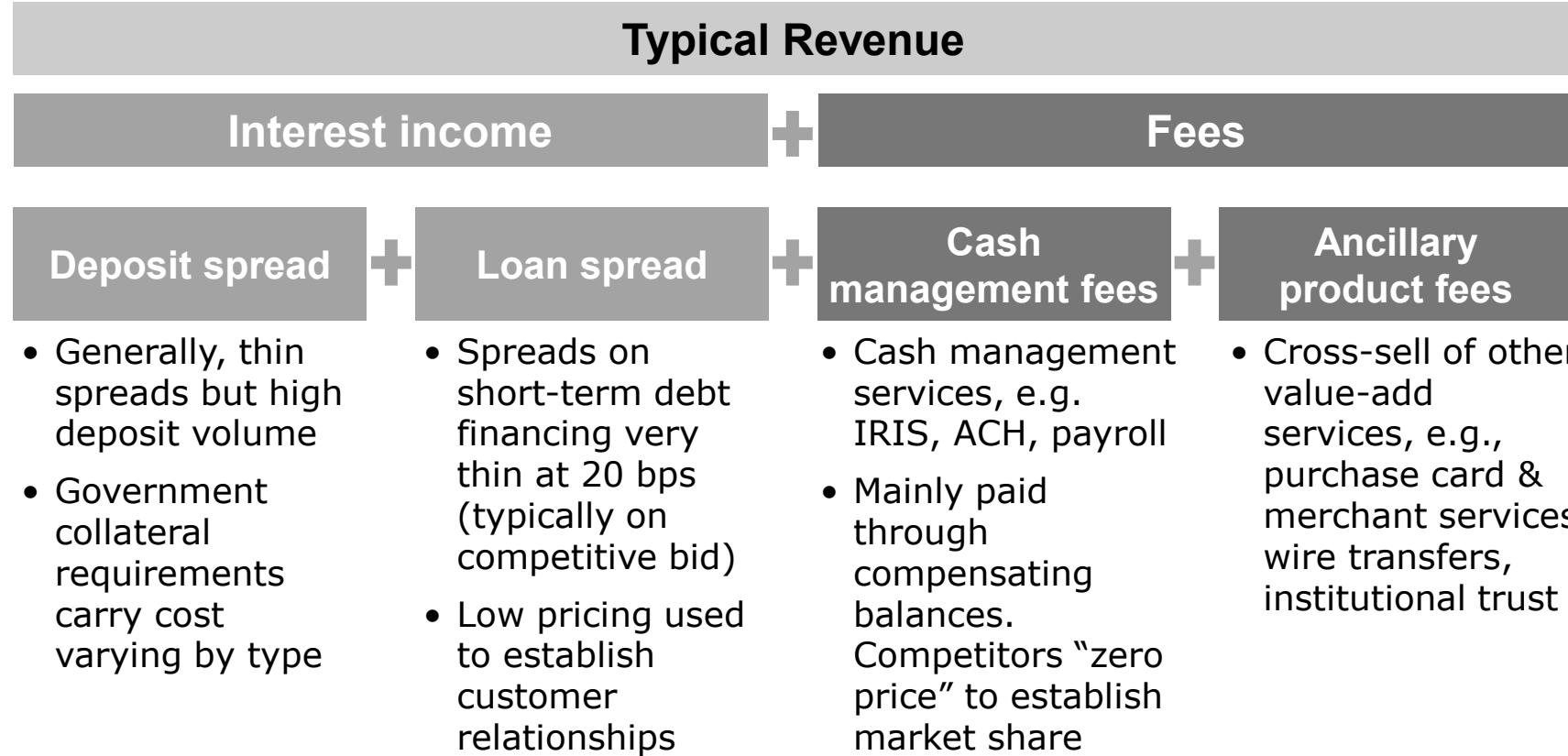


Note: In-footprint defined as states in which Sovereign has a branch (NY, NJ, MA, RI, CT, PA, NH, MD, DE)

Source: Bond Buyer

Economics and business description

Business attractiveness dependent on deposit base and cross-sell success



Unique features of the Government business

Sensitivity to ratings	<ul style="list-style-type: none">• Larger, state level clients have established investment policy setting a minimum on acceptable credit rating
Unique collateralization requirements	<ul style="list-style-type: none">• Most states require collateralization of public funds with each state having unique requirements (e.g., 10% CT, 102% PA, etc.)
Strong presence in local market	<ul style="list-style-type: none">• Visibility in the market and community involvement is important. CRA of particular importance to state bids• Branch presence is often required for bids on core business
Compensation for services	<ul style="list-style-type: none">• Government entities often prefer to pay for transaction services via Earnings Credits on operating balances – clients often do not budget for banking fees.• They also expect interest on the balances in operating accounts that are in excess of compensating balances
Political Nature of the business	<ul style="list-style-type: none">• At state, and to a lesser extent local level, client is also an elected official with an affiliated political party• Restrictions on gift and entertainment with public officials

Collateral requirements

State collateral requirements can have high impact on cost of doing business in different states

States	Percentage Required	U.S. Government Obligations	U.S. Government Agencies	U.S. Government Agency MBS	State Obligations	State Agencies	Small Business Admin. (SBA)	Corporates (AAA-rated)	Surety Bond
CONNECTICUT	10%	✓	✓	✓	✓	✓			✓
NEW JERSEY *	5% on the first \$200MM in portfolio; 100% thereafter	✓	✓		✓	✓	✓		✓
NEW YORK	100%	✓	✓	✓	✓	✓	✓	✓	✓
MASSACHUSETTS	None Required by Statute - guidelines issued by State Treasurer								
NEW HAMPSHIRE	None Required by Statute - determined by Bank Commissioner								
RHODE ISLAND	100%	✓	✓	✓	✓	✓			✓
PENNSYLVANIA **	102%	✓	✓		✓	✓			✓
MARYLAND	100%	✓	✓		✓	✓			✓
DELAWARE	102%	✓	✓		✓	✓			

* New Jersey's Governmental Unit Deposit Protection Act (GUDPA) does not apply at the State level (State accounts, State Colleges/Universities or State Agencies) - 100% collateral required.

** Commonwealth of Pennsylvania (State) deposits must be collateralized at 120%.

Source: Acceptable Collateral by State 011311

What it takes to win in Government Banking

Perceived safety and soundness of bank

- Public officials sensitive to bank reputation and credit rating

Competitive pricing and industry expertise

- Willingness to offer discounted pricing to develop relationships and achieve desired cross-sell

Demonstrated ability to manage complex government accounts

- Complexity of moving accounts can be a major deterrent to institutions considering switching banks
- Demonstrated success with other high profile clients is key
- Targeted product and service offering to meet evolving client needs (e.g., migration to paperless banking)

Local Relationship Manager Coverage

- Knowledge of local market
- Participation in key government organizations (e.g., Government Finance Officers Association) and conferences

Education Industry Overview

Industry Statistics



- 4,495 degree-granting institutions (Higher Ed) in the US in 2011, of which over 400 are in our footprint.
- The majority of top-rated Universities in the US are located in the Northeast.
- Santander Universities has agreements with X Universities, the majority of which do not yet have a commercial banking relationship.

Industry Drivers



- While demographics for students in the northeast region of the US are declining, the area has a number of highly desirable institutions which drives continued demand from throughout the rest of the US and abroad.
- The majority of the top-rated universities and secondary schools in the country are located in Sovereign's footprint.

Key Risks & Challenges



- Rising costs have lead to concerns about the increasing student debt in the US and the risk of the next "bubble".
- The competition for attracting students has led to building ancillary facilities which may not be cost effective over time given cost to maintain.
- Concerns over rising costs have led to several initiatives to innovate, such as on-line degrees, which may change the dynamics of the industry going forward.

Product Targets



- | | |
|--|---|
| <ul style="list-style-type: none"> ▪ Credit ▪ Cash Management ▪ Deposits ▪ Interest rate derivatives | <ul style="list-style-type: none"> ▪ Leasing ▪ Smart Card ▪ Onsite ATMs ▪ Sovereign at Work |
|--|---|

Education

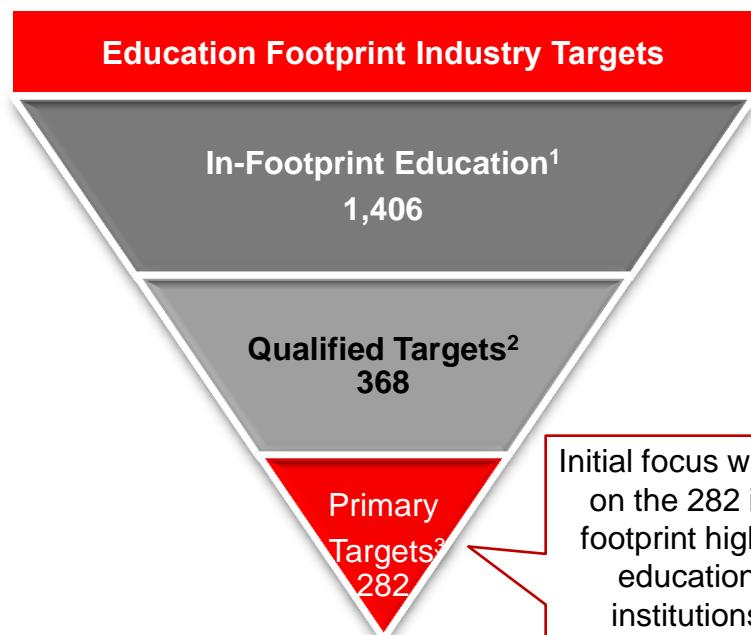
Industry

- Education Industry Overview**
- In partnership with Santander Universities, our primary focus would be higher education institutions (colleges, universities, junior colleges, secondary schools)
 - 4,495 degree granting institutions in the U.S. in 2011, out of which over 400 are in our footprint
 - The majority of top-rated universities in the U.S. are located in the Northeast

Risks

- Rising costs have led to concerns about the increasing student debt in the U.S. and the risk of the next 'bubble'
- Competition for attracting students has led to building ancillary facilities which may not be cost effective over time given cost to maintain
- Concerns over rising costs have led to several initiatives to innovate, such as on-line degrees, which may change the dynamics of the industry going forward

- Product Targets**
- | | |
|--|--|
| <ul style="list-style-type: none"> Cash Management Credit Deposits Interest Rate Derivatives | <ul style="list-style-type: none"> Smart Cards Leasing Onsite ATMs Sovereign at Work |
|--|--|



1. In-footprint educational entities with revenues of \$20 – 500Mn

2. Eliminated 970 undesirable sectors such as Public School Systems & Libraries & 68 Customers

3. Eliminated 86 Qualified entities in sub-sectors of the Education industries that are not our primary focus

Source: Claritas & AFS

Education Industry Targets

The US Education sector can be divided into two distinct groups, those funded through tuition and endowment funds (higher education and private schools K-12) and those governmentally funded (public K-12).

Higher Education/ Private Schools

- Colleges
- Universities
- Junior Colleges
- Secondary Schools

In partnership with Santander Universities, our primary focus will be higher education institutions.

Educational Services

- Professional Skill Training
- Educational Services

Public K-12 Education

- Elementary Schools
- Middle Schools
- High Schools
- Vocational Schools
- Public School Systems & Charter Schools
- Public Libraries

Agenda

Market Environment

Competitive Landscape

Business Unit Background

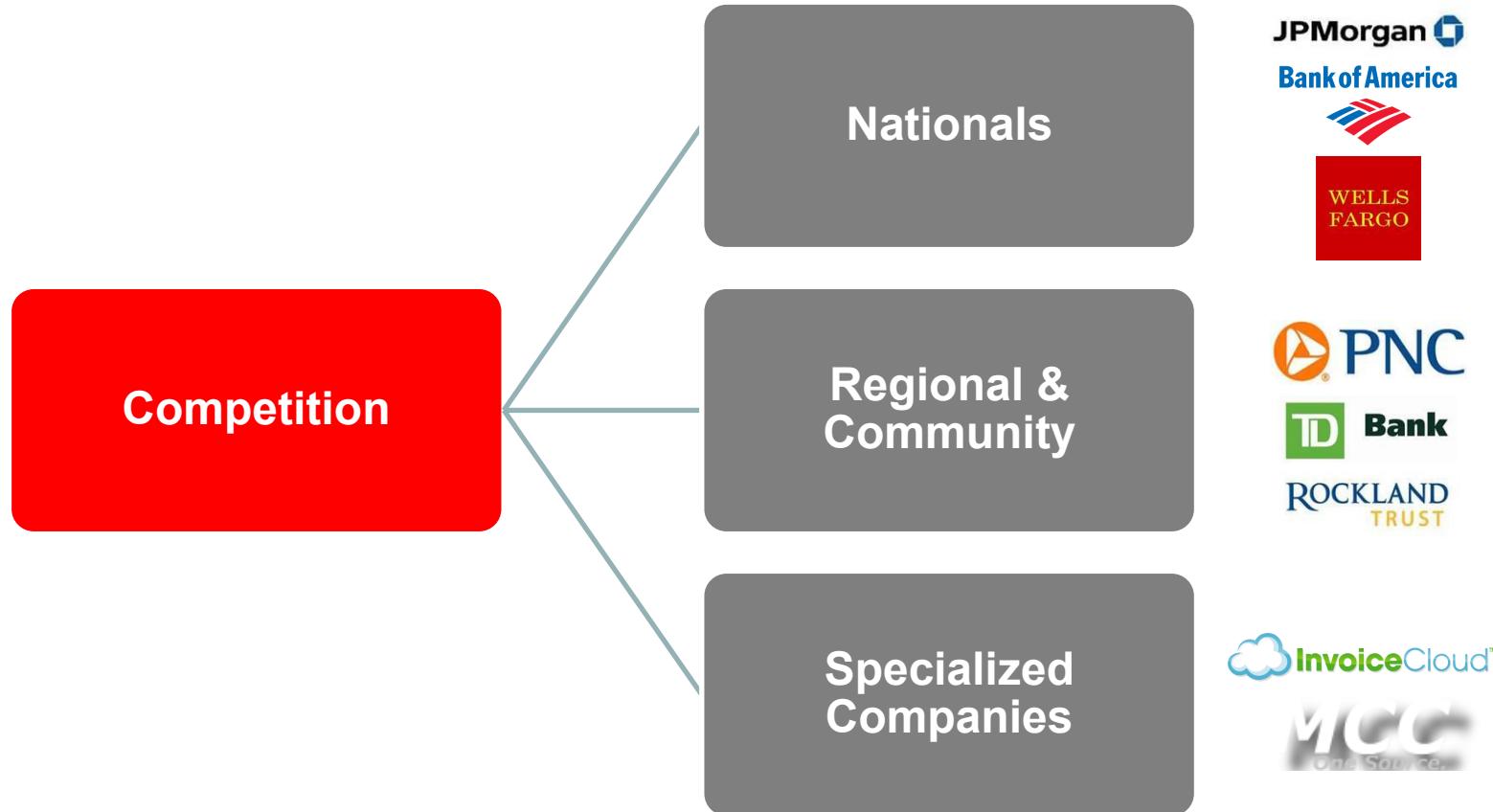
Business Plan 2014-2016

Key Conclusions

Appendix

Competitive Landscape

Competition varies from state to state and includes different types of players, from National Banks to Community Banks and Specialized Companies



Competitive Benchmarking



Target customer segments	State, regional, local	National, state, regional, local	National, state, regional, local
# of RMs in Sovereign footprint	4	15 – 20	40+
# of RMs by state	2 (MA), 1 (CT), 1 (NJ/NY/PA)	2 per state + administrative staff	5 - 7 per state + administrative staff
Scope of product offering	<ul style="list-style-type: none"> Government investment and checking products Limited cash management product set 	<ul style="list-style-type: none"> Government investment and checking products Full suite of cash management with electronic payment, corporate cards, plus investment and lending 	<ul style="list-style-type: none"> Government investment and checking products Full suite of cash management with electronic payment, corporate cards, plus investment and lending
Organizational structure of Government business	<ul style="list-style-type: none"> Separate business line, with dedicated RMs focusing on deposits and cash management 	<ul style="list-style-type: none"> Separate business line, with dedicated RMs and administrative support to each state 	<ul style="list-style-type: none"> Separate business line, with dedicated RMs and ample administrative support to each state
Major Sponsorships	<ul style="list-style-type: none"> Some CRA-related sponsorships, but otherwise limited 	<ul style="list-style-type: none"> Sponsorships of events at the regional and local levels, including strong support of industry associations 	<ul style="list-style-type: none"> Sponsorships of events at the regional and local levels, including strong support of industry associations

Key Products – Cash Management and Deposits

PRODUCT	DESCRIPTION	IMPORTANCE TO PROSPECTIVE CLIENTS	SOVEREIGN CAPABILITY
Deposits / Cash Mgmt	<p>Gov banking interest checking (“general banking”)</p> <ul style="list-style-type: none"> Collection and disbursement – e.g., ACH, wire transfer, positive pay, check imaging, account reconciliation Additional products/services – e.g., lockbox, payroll 	<ul style="list-style-type: none"> Requested in 75% of RFPs, particularly by large public entities (though sometimes not offered through RFPs) RFPs for individual products are sometimes issued, but to a lesser extent 	Standard offering
	<p>Gov banking investment account</p> <ul style="list-style-type: none"> Interest-bearing account savings with highly competitive rates and limited transaction activity 	<ul style="list-style-type: none"> Requested in 50% of RFPs 	Standard offering
	<p>Electronic real tax payments</p> <ul style="list-style-type: none"> Allow tax-payers to pay real estate and excise tax electronically through ACH or credit card payment 	<ul style="list-style-type: none"> Requested in 80% of RFPs 	None
	<p>Cards (e.g., stored value)</p> <ul style="list-style-type: none"> Purchase cards Stored value cards, e.g., unemployment compensation 	<ul style="list-style-type: none"> Requested in 80% of RFPs Usually included in “general banking” RFPs 	P Card: To be addressed in 2013 Stored Val Card: None

Key products – Lending

	PRODUCT	DESCRIPTION	IMPORTANCE TO PROSPECTIVE CLIENTS	SOVEREIGN CAPABILITY
Lending	Short term “anticipation notes” (TANS, RANs, BANs)	<ul style="list-style-type: none"> • Short term (under 12 months) 	<ul style="list-style-type: none"> • Issued through financial advisors on competitive bid (~95% of the time) • Included in ~50% of RFPs, as a prerequisite that banks participate in competitive bidding process 	To be addressed with Credit
	Long-term bonds	<ul style="list-style-type: none"> • Greater than 12 months 	<ul style="list-style-type: none"> • Issued through financial advisors on competitive bid (~95% of the time) • Included in ~50% of RFPs, as a prerequisite that banks participate in competitive bidding process 	Requires Capital Markets support not in place today

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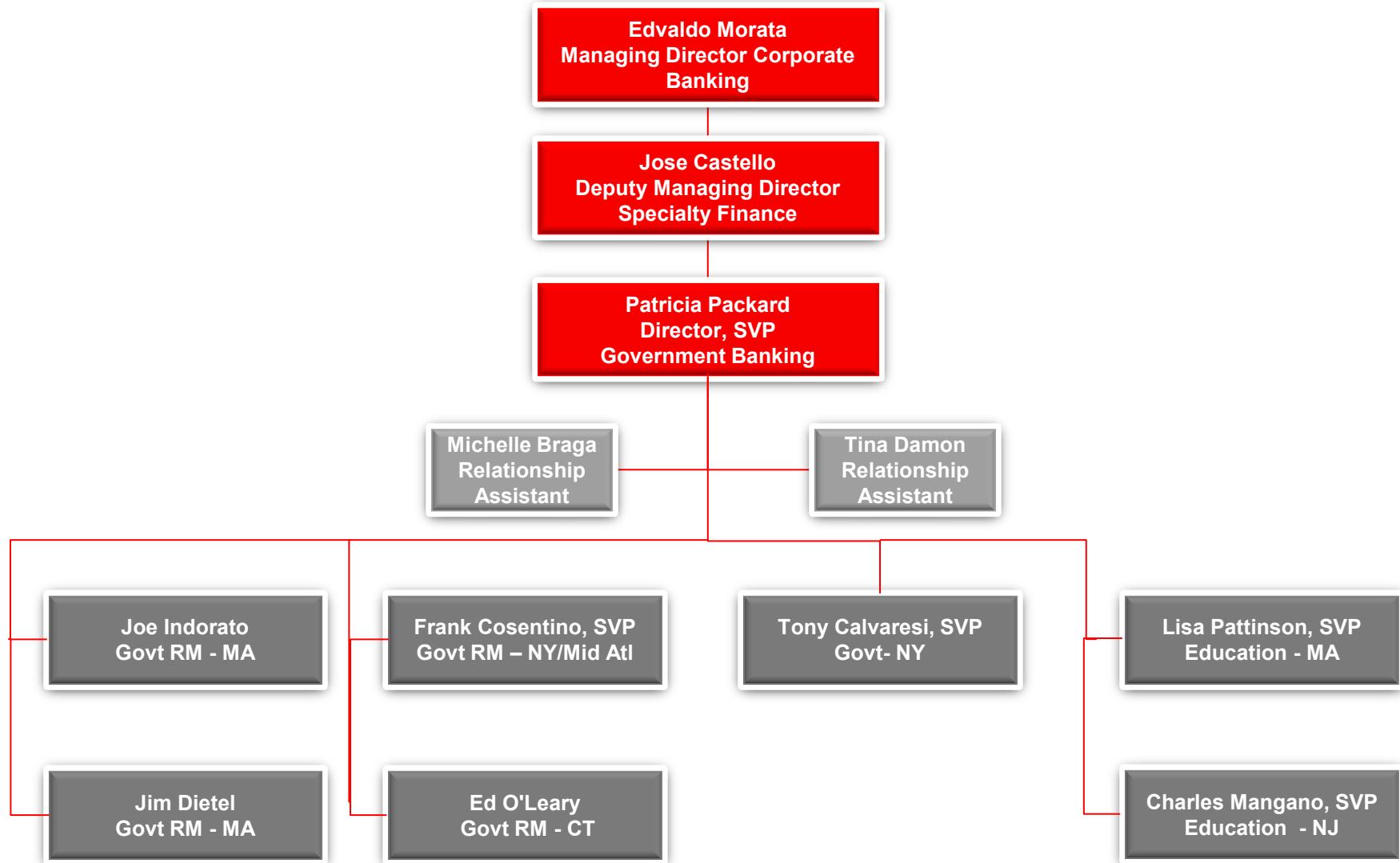
Key Conclusions

Appendix

History of Sovereign Government Banking

History	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Government Banking group formed			★									
COMA RFP won resulting in \$4MM of revenue potential			★									
Treasury downsized business impacting balances and FTE												
Santander Acquires Sovereign									★			
Steady stable balances and fee revenue build with new pricing disciplines												
Santander confirms commitment to growing Government Banking business in the US											★	
Initiatives to grow Government begin												
Number of FTEs	-	-	15	15	15	15	15	9	5	6	6	6

Government / Education current organization structure



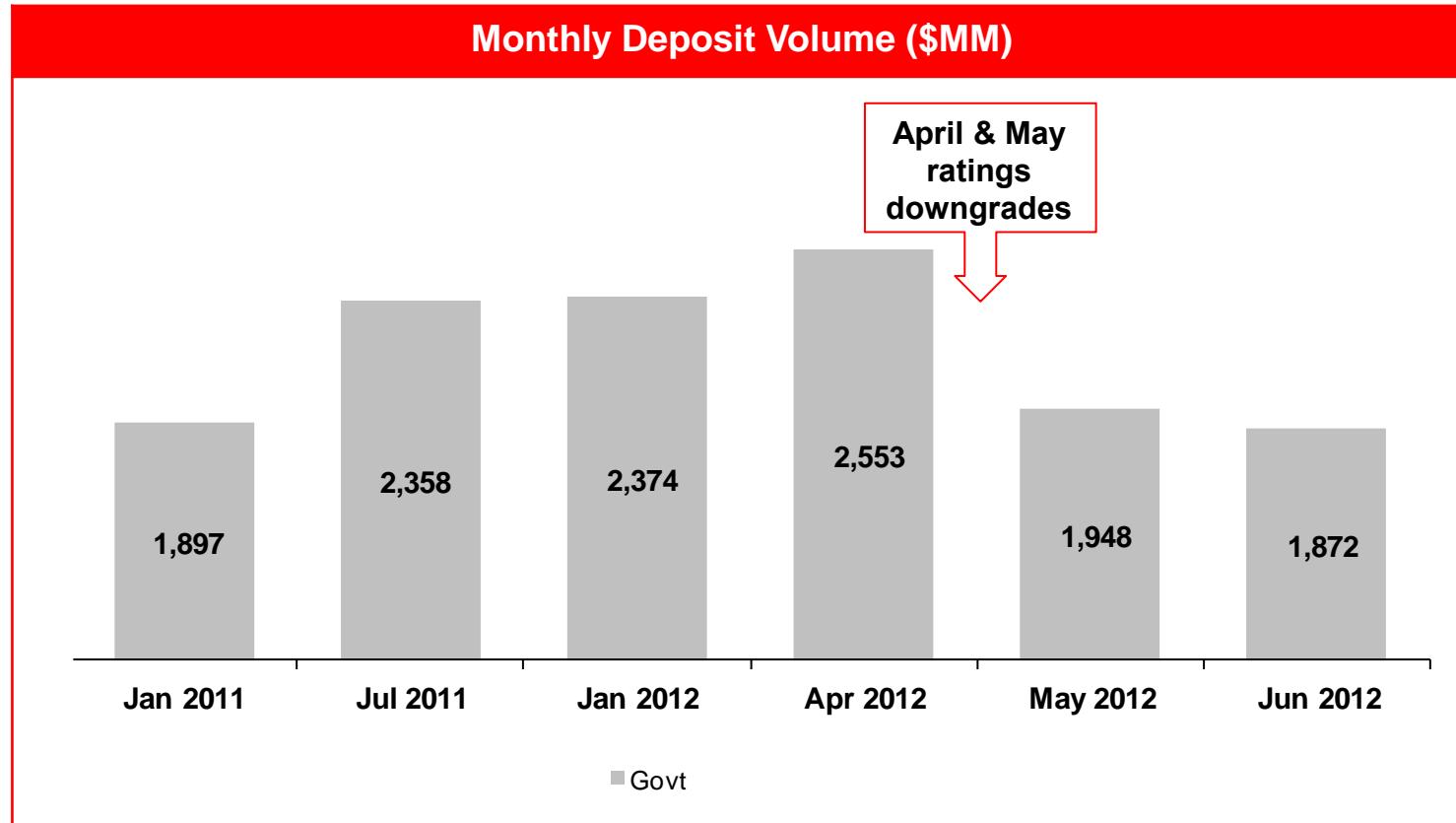
The business today

- **\$1.8B in deposits with 440 clients** – with heavy deposit concentration in New England (e.g., Commonwealth of Mass: \$500MM)
- **High concentration:** of deposits from customers with deposits >\$50MM (~40%)
- **Balances** represent a profitable funding source for the bank
- **Net revenue** in 2012 generated from deposit NII (89%) and cash management fees (11%)
- **Product offer** includes deposit and basic cash management services (competition offers full product suite including lending and enhanced cash management products)
- 440 clients throughout footprint
 - Tier 1: Entities with population of > 100K
 - Examples: states, large cities, counties and public colleges/universities) – 40 clients
 - Tiers 2 & 3: Entities with population of < 100K
 - Examples: smaller counties and cities, municipalities, school districts, public agencies) – 400 clients

Update

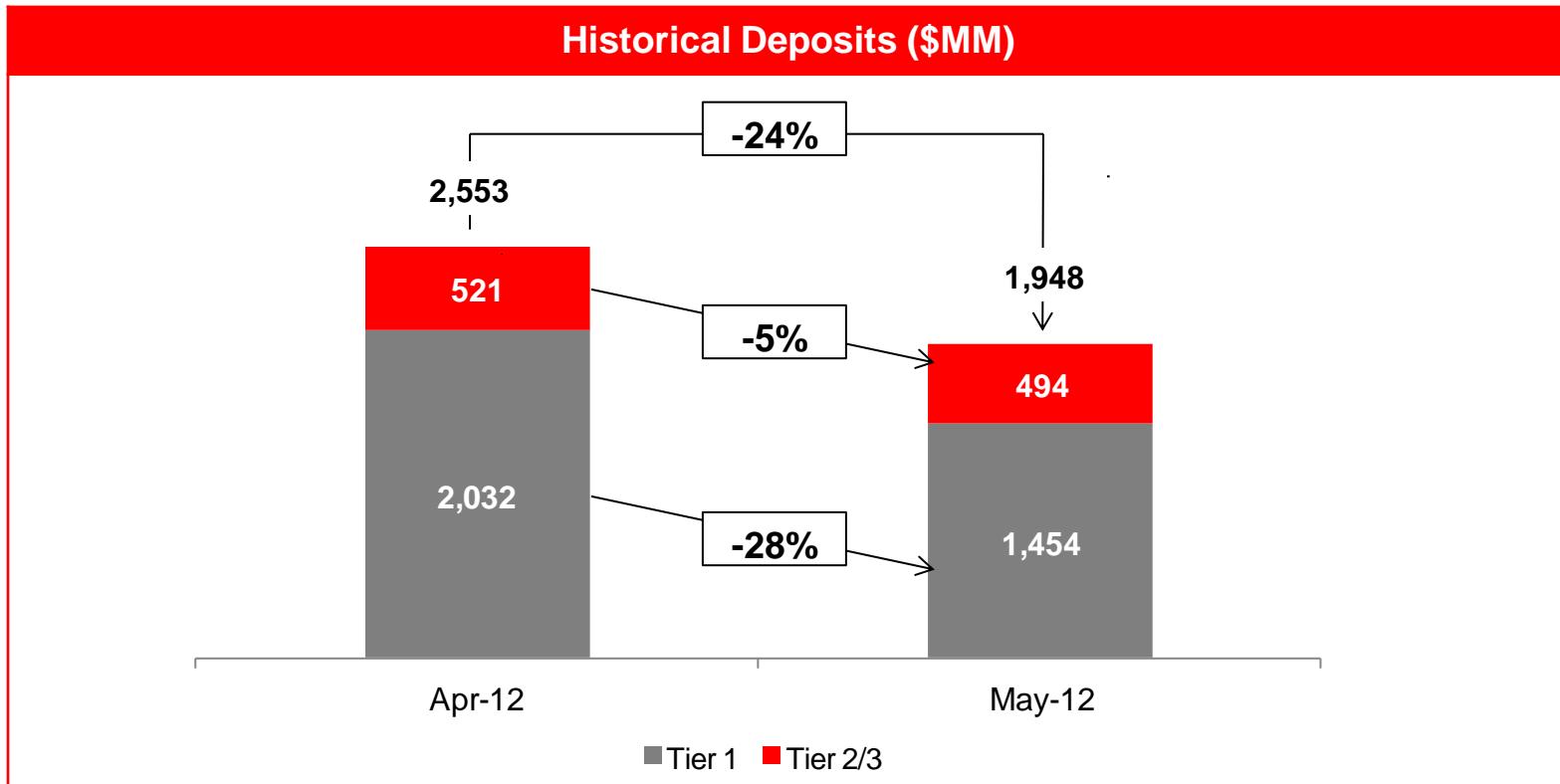
Deposit Evolution

Government Banking deposits had held steady and were approaching \$2.6 billion prior to the downgrade.



Institutional Deposits: Moody's Downgrade **Update**

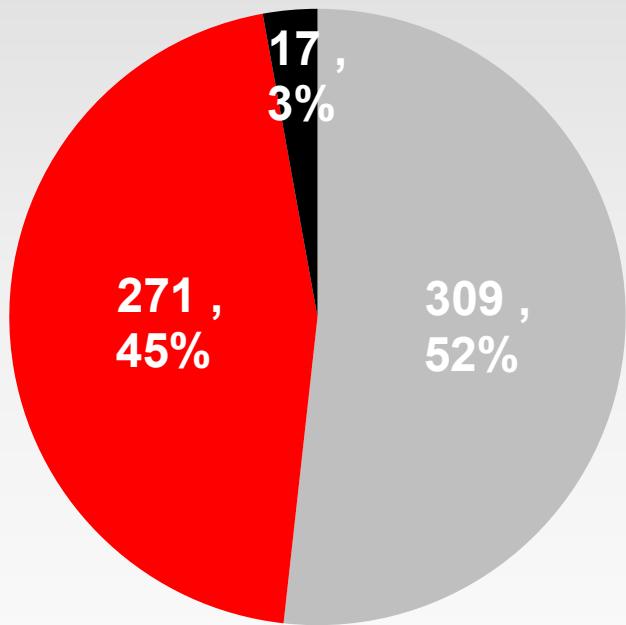
Tier 1 investment-only clients are more vulnerable to ratings changes, such as Sovereign's on May 18



Tier 2 and 3 clients provide a stable source of deposits and represent a good target for increased market share

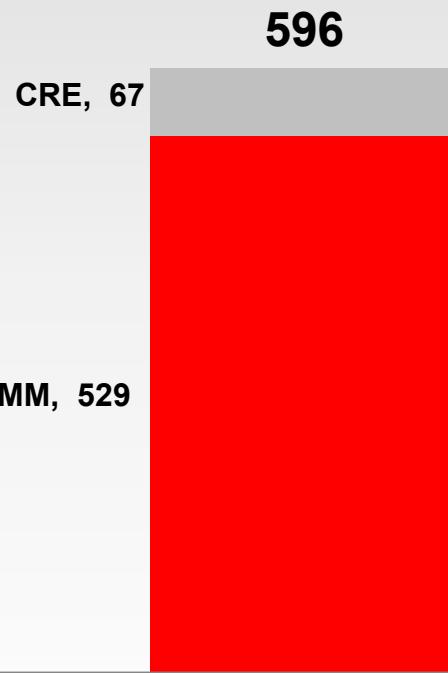
Education Clients in Footprint

Educational Client Exposure
by Sector (\$MM)



- 37 Secondary Schools ■ 28 Higher Ed
- 3 Educational Services

Educational Client Exposure
by Business Unit (\$MM)



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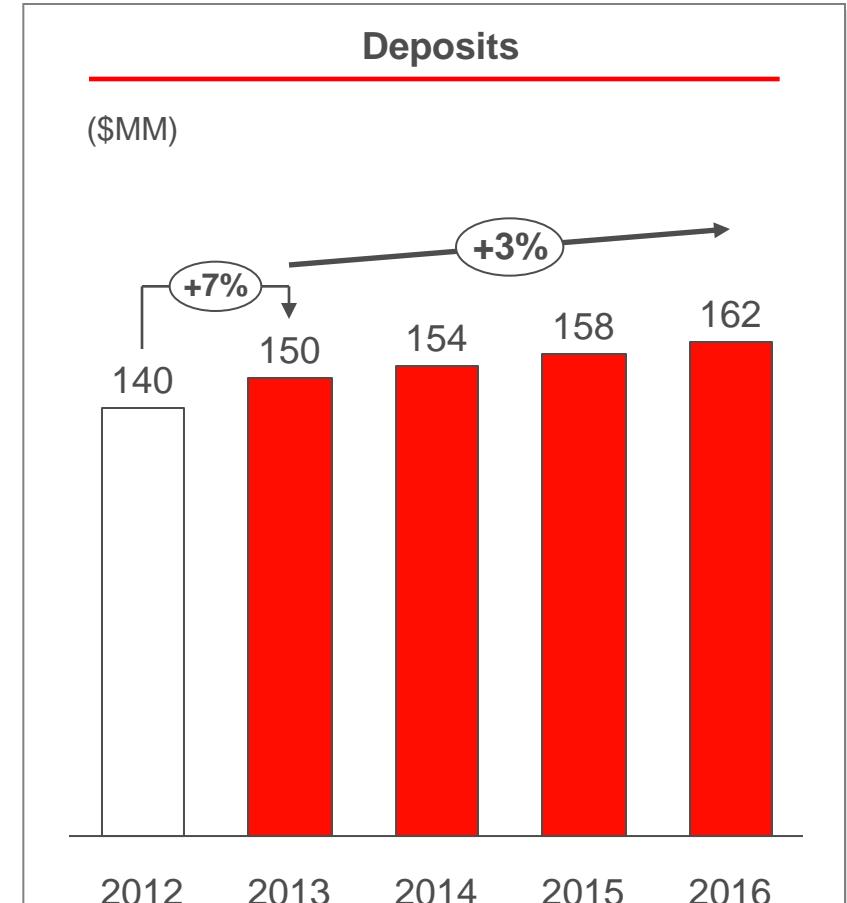
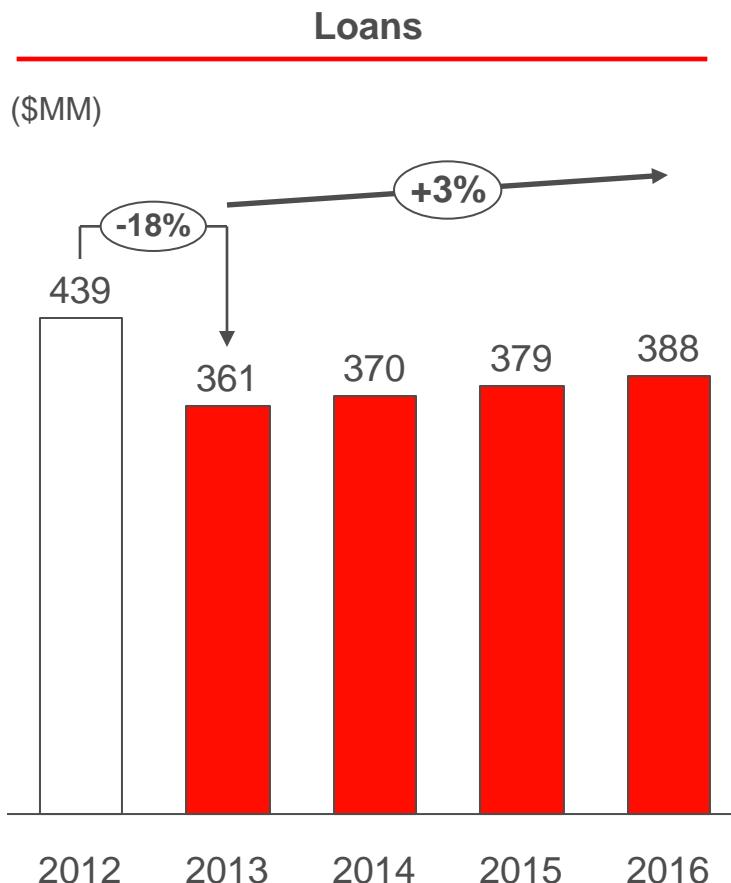
Business Plan 2014-2016

- **Business-as-Usual**
- **Initiatives**
- **Consolidated Plan**

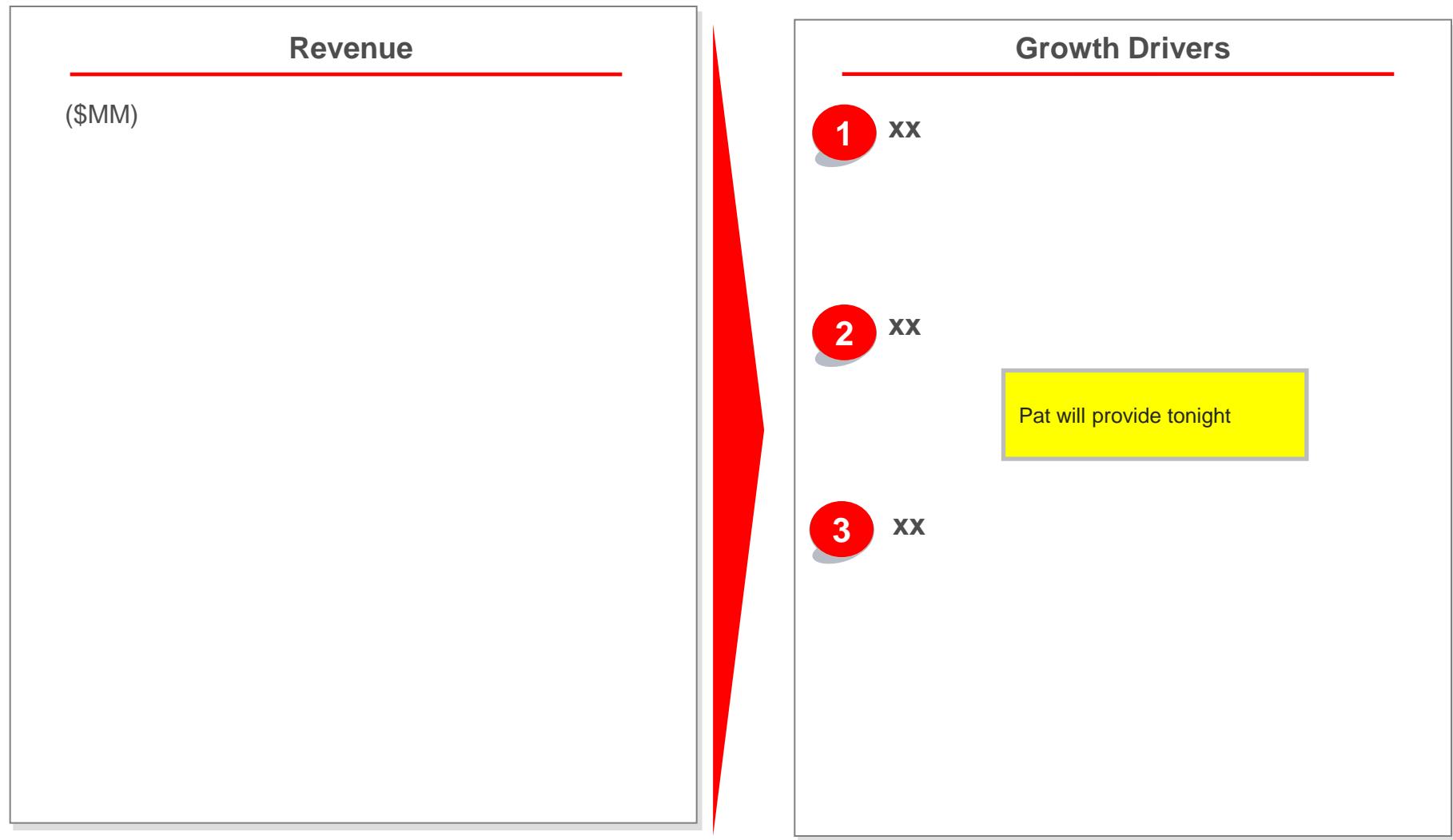
Key Conclusions

Appendix

BAU: Balance Sheet



BAU: Revenue & Initiatives



GL to update

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Business Plan 2014-2016

- Business-as-Usual
- Initiatives
- Consolidated Plan

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Strategic initiatives



Government strategic plan focuses on four key areas to gain market share and establish Sovereign as recognized provider in footprint

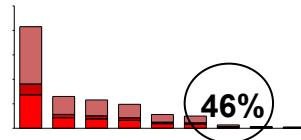
Objective	Initiative
1. Close geographical coverage gaps in Government	<ul style="list-style-type: none"> • Increase headcount to have one RM located in each state region within footprint with administrative support staff
2. Initiate Government lending program	<ul style="list-style-type: none"> • Work with Credit to establish underwriting guidelines and process for handling loan requests. • Train existing RMs and hire new RMs with municipal lending background
3. Grow the Education Vertical through increased coverage	<ul style="list-style-type: none"> • Increase headcount to serve the higher-education market within footprint and grow our portfolio in this industry • Partner with Santander Universities to make joint calls to key targets
4. Enhance product capabilities for Government segment	<ul style="list-style-type: none"> • Transactional Banking: Develop Online Payments of Real Estate taxes, Purchase Cards, Vendor Payment, Stored Value Cards • Capital Markets and Investment Management: Develop Short and medium investment services capabilities for municipalities

Close Geographical Gaps in Government Banking

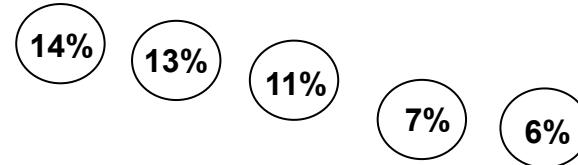
Strategic Rationale



- While MA is the fourth largest state in deposit market share in footprint, Sovereign holds 22% of MA volume and this is the state with highest RM concentration
- Sovereign's market share in the three biggest states by deposit market share (NY, NJ, PA) is minimal; RM coverage is to addressing the large deposit business opportunity



**Why closing
Geographical
Gaps?**



SOV Market Share	0%	6%	3%	22%	11%	0%
# SOV Branches	75	152	170	229	32	10
Current #RMs						
Proposed # RMs						

Initiate Government Lending Program

Strategic Rationale



- Competitors offer lending capabilities, which allows them to win RFP's; while Sovereign's lack of lending capabilities prevents us from bidding and winning numerous deals
- A credit-trained Senior RM in PA, coming from Wells Fargo, has been recently hired and, along with CEVF, would collaborate with Risk to develop municipal lending model and requirements

	PRODUCT	DESCRIPTION	PRIORITY
Taxable and Tax Exempt Financing	Loans	• Term : 1-5 year with 7 year amortization	• 1
	Lines of Credit	• Term: 1 year	• 1
	Letters of credit	• Term: 1-3 year	• 2
	Liquidity Facilities	• Term: 1-3 year	• 2
	Tax & Revenue Anticipation Notes	• Term: 6 mos – 1 Year	• 1
	Grant Anticipation Notes	• Term: 6 mos – 1 Year	• 1
	Direct Purchase	• Term: 1 – 5 year	• 1

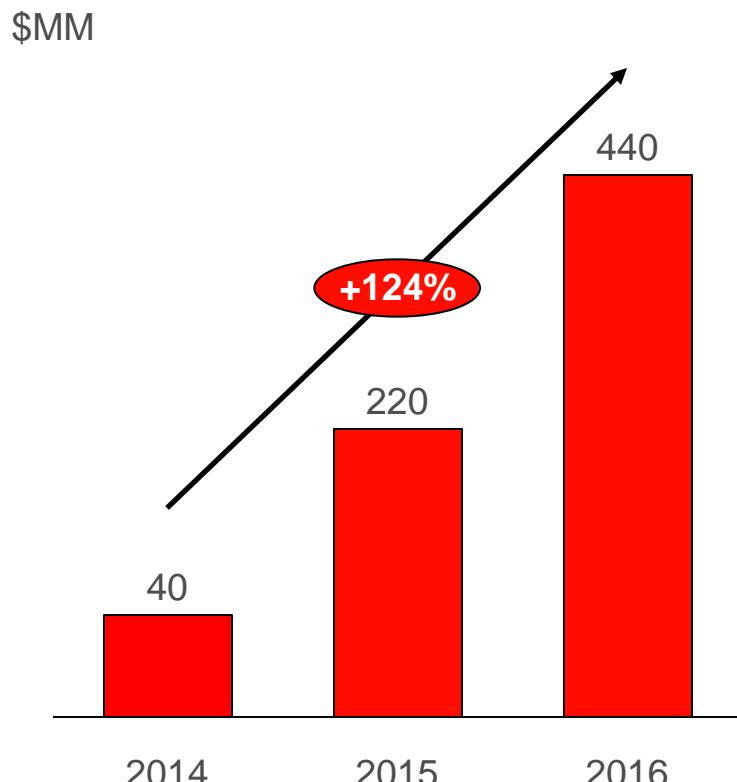
Why Lending Capabilities for Government?

Government's Geographical Coverage and Lending Program

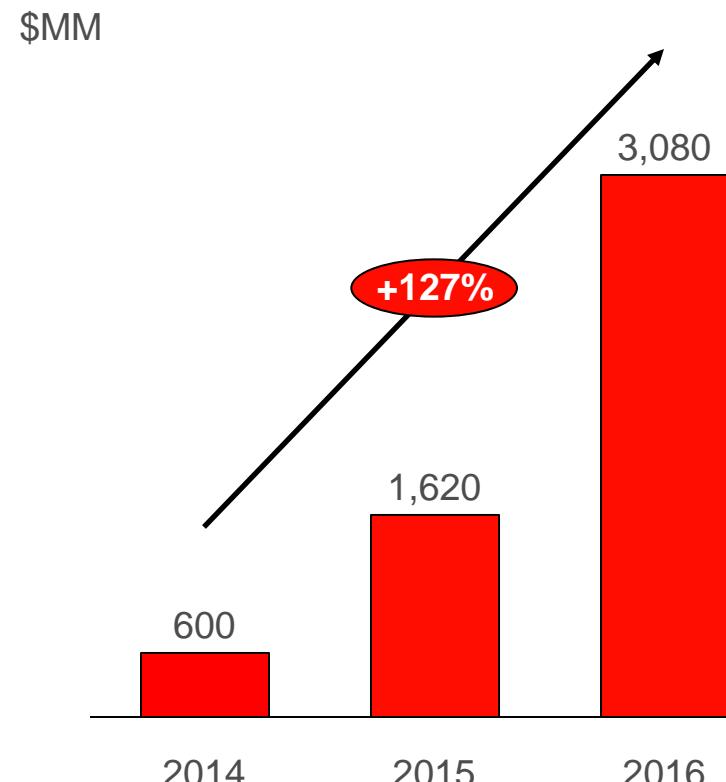
Profitability



Incremental Loan Outstanding 2014-2016



Incremental Deposits 2014-2016



Assumptions

Production/New RM	Y1	Y2	Y3
Deposits	80,000,000	85,000,000	90,000,000
Loans	40,000,000	40,000,000	40,000,000

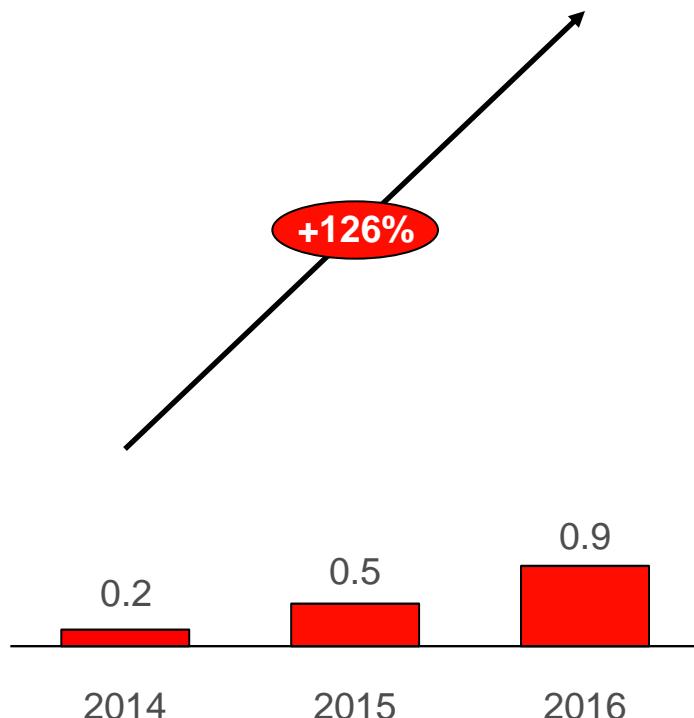
Government's Geographical Coverage and Lending Program

Profitability



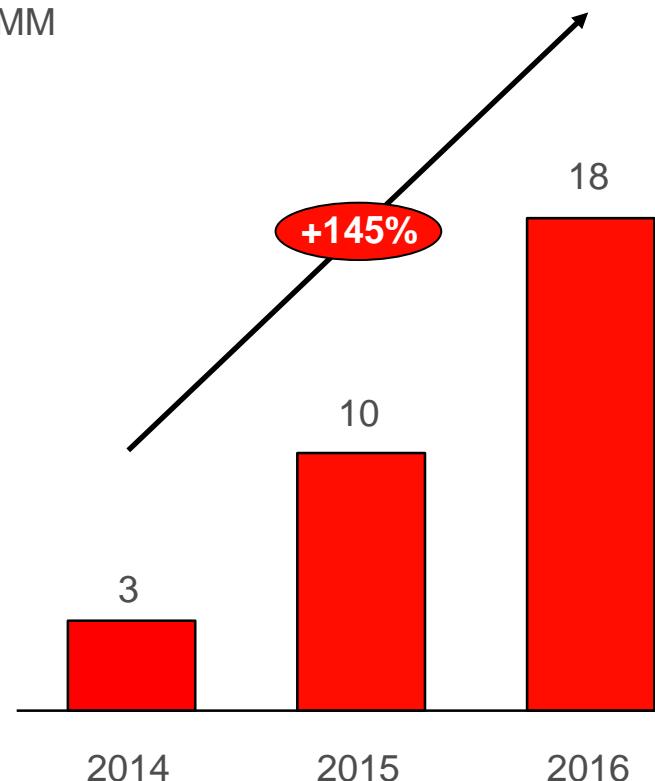
Incremental Fees 2014-2016

\$MM



Incremental Revenue 2014-2016

\$MM



Assumptions

Production/New RM	Y1	Y2	Y3
Deposits	80,000,000	85,000,000	90,000,000
Loans	40,000,000	40,000,000	40,000,000

Government's Geographical Coverage and Lending Program

Resources and Risks



People

	Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
					2014	2015	2016	
	Corporate Banking	RM	GOVT	8	4	2	2	\$200K/ RM
	Corporate Banking	Portfolio Manager	GOVT	3	1	1	1	\$100K/Jr RM
	Corporate Banking	RA	GOVT	4	2	1	1	\$50K/RA
	Credit Risk	Credit Officer	GOVT	3	1	1	1	Managed by Credit Risk
	TOTAL			18	8	5	5	

Possible Risks & Mitigants

Geographical Presence

- Risk: Challenge to duplicate the NE success outside of region, given the tenure of the relationships and bank's community presence in MA
- Mitigants: Our target for new RM hires are seasoned bankers with local presence, strong ties in the community and solid relationships with state and municipal decision makers

Lending Program

- Risks: Sov does not currently have a Municipal Risk Model in place with underwriting guidelines and profitability matrix by product type
- Mitigants:
 - Establish a Government Municipal Risk Model
 - New hires have government lending experience and there is ample training available
 - Risk is currently interviewing candidates with significant credit experience in Government who can establish and implement municipal risk policy.

Grow Education Vertical through increased coverage

Strategic Rationale



Industry

- In partnership with Santander Universities, our primary focus would be higher education institutions (colleges, universities, junior colleges, secondary schools)
- 4,495 degree granting institutions in the U.S. in 2011, out of which over 400 are in our footprint
- The majority of top-rated universities in the U.S. are located in the Northeast

Risks

- Rising costs have led to concerns about the increasing student debt in the U.S. and the risk of the next 'bubble'
- Competition for attracting students has led to building ancillary facilities which may not be cost effective over time given cost to maintain
- Concerns over rising costs have led to several initiatives to innovate, such as on-line degrees, which may change the dynamics of the industry going forward

Education Industry Overview		Product Targets
<ul style="list-style-type: none"> ▪ In partnership with Santander Universities, our primary focus would be higher education institutions (colleges, universities, junior colleges, secondary schools) 		<ul style="list-style-type: none"> ▪ Cash Management ▪ Credit ▪ Deposits ▪ Interest Rate Derivatives ▪ Smart Cards ▪ Leasing ▪ Onsite ATMs ▪ Sovereign at Work
<ul style="list-style-type: none"> ▪ 4,495 degree granting institutions in the U.S. in 2011, out of which over 400 are in our footprint 		
<ul style="list-style-type: none"> ▪ The majority of top-rated universities in the U.S. are located in the Northeast 		
Education Footprint Industry Targets		
<p>In-Footprint Education¹</p> <p>1,406</p>		
<p>Qualified Targets²</p> <p>368</p>		
<p>Primary Targets³</p> <p>282</p>		<p>Initial focus will be on the 282 in-footprint higher education institutions</p>

1. In-footprint educational entities with revenues of \$20 – 500Mn

2. Eliminated 970 undesirable sectors such as Public School Systems & Libraries & 68 Customers

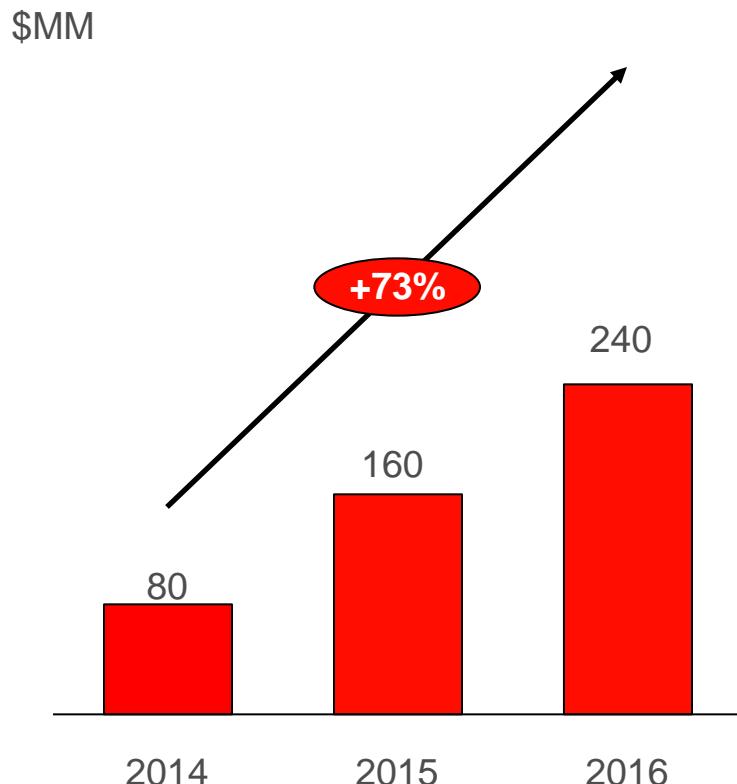
3. Eliminated 86 Qualified entities in sub-sectors of the Education industries that are not our primary focus

Source: Claritas & AFS

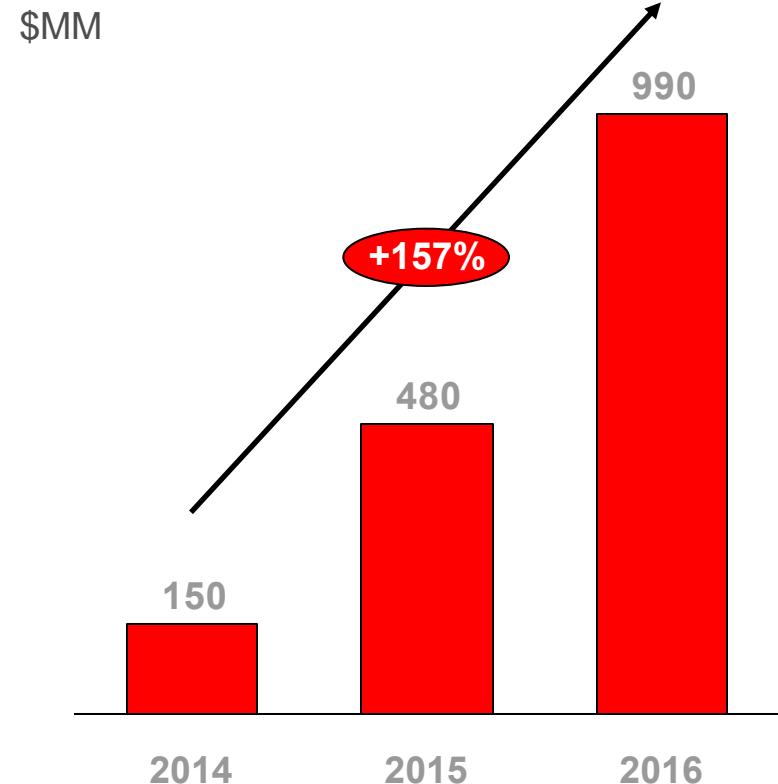
Grow Education Vertical through increased coverage Profitability



Incremental Loan Outstanding 2014-2016



Incremental Deposits 201-2016



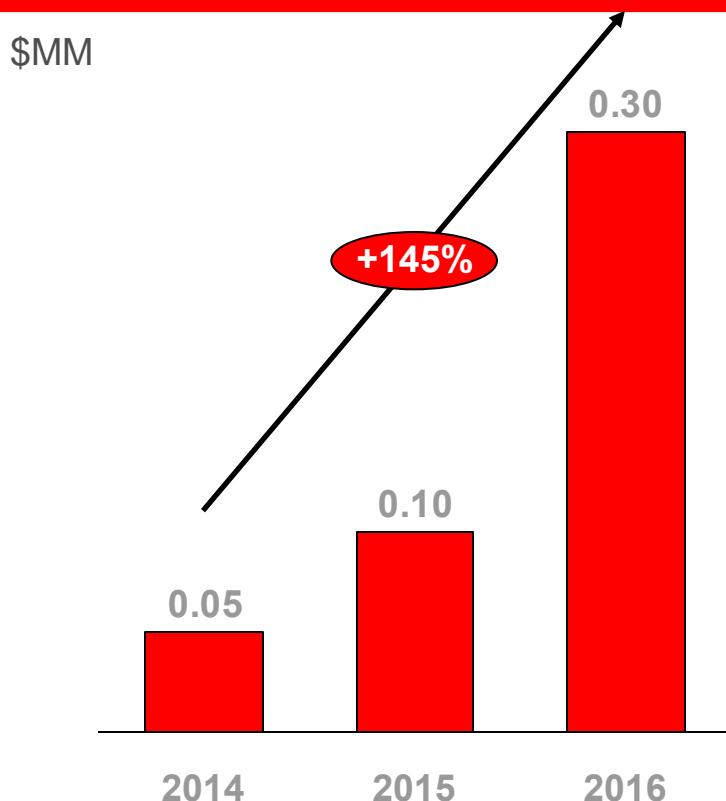
Assumptions

Production/New RM	Y1	Y2	Y3
Deposits	75,000,000	85,000,000	90,000,000
Loans	40,000,000	40,000,000	40,000,000

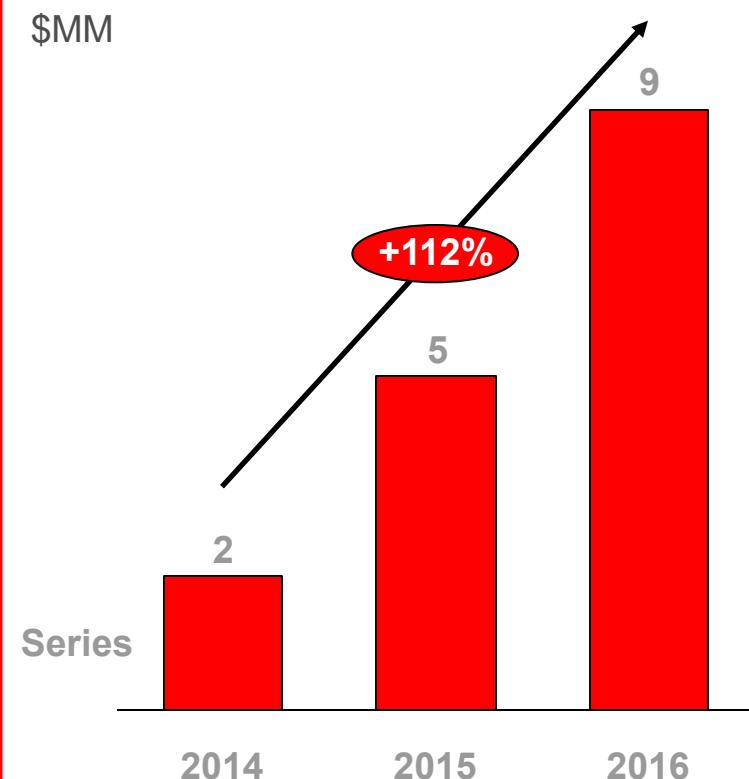
Grow Education Vertical through increased coverage Profitability



Incremental Fees 2013-2016 (\$'000's)



Incremental Revenue 2013-2016 (\$'000's)



Assumptions

Production/New RM	Y1	Y2	Y3
Deposits	75,000,000	85,000,000	90,000,000
Loans	40,000,000	40,000,000	40,000,000

Grow Education Vertical through increased coverage

Resources and Risks



People

	Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
					2014	2015	2016	
	Corporate Banking	Relationship Manager	EDU	6	2	2	2	TBD
	Corporate Banking	Relationship Assistant	EDU	2	1	1	0	TBD
	Credit Risk	Jr. RM	EDU	3	1	1	1	TBD
	TOTAL				11	4	4	3

Risks: While there is tremendous opportunity in the higher education space, particularly with opportunity to work together with Santander Universities, many colleges and universities have long term established relationships with banks with a more expansive product offering (e.g. student stored value cards, electronic payments, investment management of endowment funds, etc.) and more liberal lending criteria.

Mitigants:

- Many college and university clients work with a number of banks so very open to hear about new opportunities and many, in New England area, are unhappy with Bank of America – one of the primary bank service providers.
- Santander Universities has provided agreements to a number of college and universities opening the door for discussion of corporate business.
- While the vertical of education is newly established at SOV, the senior RM/Team Leader in place has excellent experience in working with education clients and well suited to oversee a successful effort.
- Product and Treasury working to provide product that will meet college and university short term deposit needs and meet their minimum investment criteria.

Possible Risks & Mitigants

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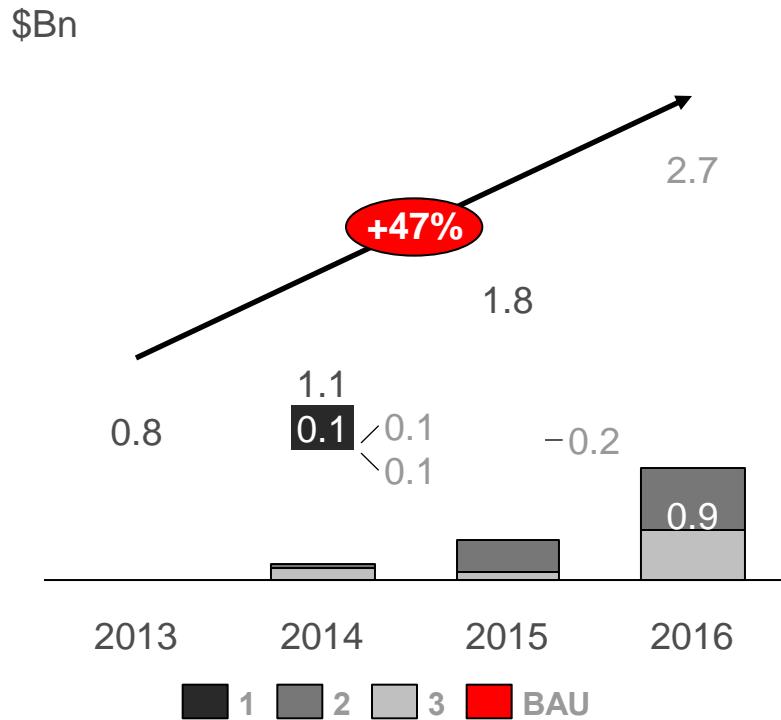
- Business-as-Usual
- Initiatives
- Consolidated Plan

Key Conclusions

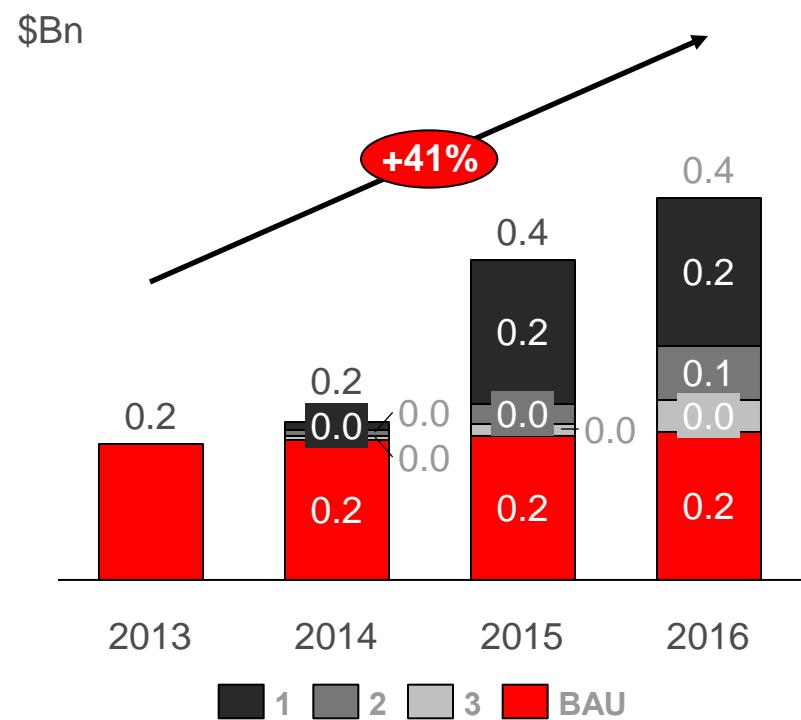
Appendix

Government & Education 2016 Plan

Loan Outstanding 2013-2016 (\$MM)



Deposit Balances 2013-2016 (\$MM)



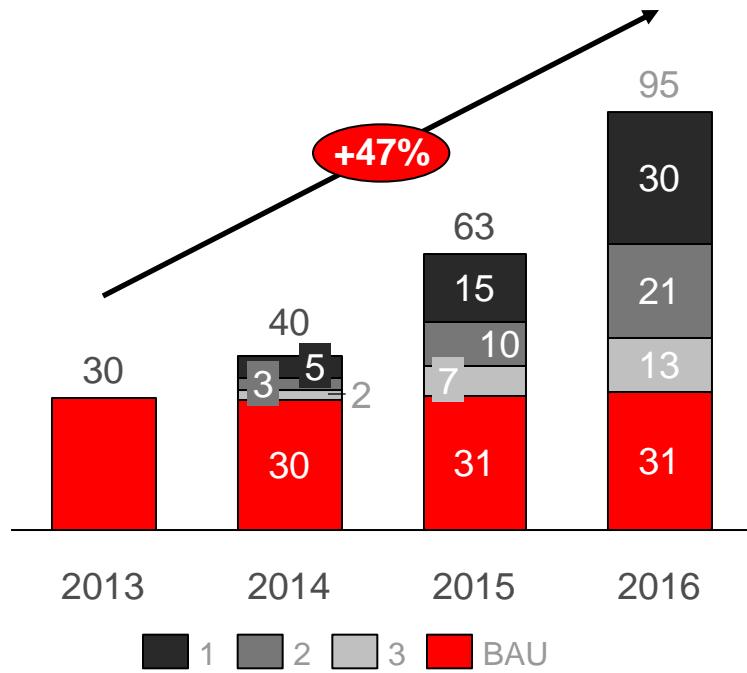
With initiatives the portfolio will double by 2016...

To update

Government & Education 2016 Plan

Net Revenue 2013-2016 (\$MM)

\$MM



Net Revenue by Component 2013-2016 (\$MM)

With initiatives the portfolio will double by 2016...

To update

Resource requirements: People

Division	Function	Area to support	Number of FTEs	Timeline for Hiring			Estimated cost per HC per Year
				2014	2015	2016	
Government	RM	Sales	8 ¹	4	2	2	\$200K/ RM
Government	Portfolio Manager	Sales/Support	3	1	1	1	\$100K/Jr RM
Government	RA	Support	4	2	1	1	\$50K/RA
Credit Risk	Credit Officer	Sales	~3 (TBD)	TBD	TBD	TBD	Managed by Credit Risk
Education	RM	Sales	6 ²	2	2	2	\$200K/ RM
Education	Jr RM	Sales/Support	2	1	1	0	\$100K/Jr RM
Education	RA	Support	3	1	1	1	\$50K/RA

¹ RM in each underserved area: 3 New England, 3 NY/NJ, 2 PA.

² RM in each under served area: 2 New England, 2 Mid-Atlantic, 1 NY, 1 PA

Resource requirements: Marketing and IT

Division	Function	Area to support	Estimated cost (\$USD)
IT	Transactional Banking	Real Estate Tax Online Payment	Government
	Cards	Purchase Cards	Government
	Cards	Stored Value Cards	Government
	Transactional Banking	Vendor Payment	Government
Marketing	Government	Community/ Sponsorships	Sales
			\$150K/year

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Key Conclusions

- The Government Banking market is substantial with significant potential to gain market share of deposits and core operating business within the existing Sovereign footprint
- Expansion in underpenetrated in-footprint markets and a more complete and competitive product offering are critical to accomplishing the objectives
- Developing lending capabilities will benefit the business and would require specialized RMs and a Capital Markets team
- Growing the education vertical through strengthened coverage will leverage the existing in footprint opportunity
- Meeting the 2016 projections of **\$xxB in deposits** and **\$xxMM in revenue** will be challenging, but achievable with implementation of the proposed plan

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Education Client Exposure by RM

RM	Exposure \$	# Clients
Doug Dixon	48,831,669	8
Steven Weidman		
Paul Black		
William Durdach	52,932,031	2
Anne Liddell	66,313,808	1
Larry Kamin (mad)	56,228,883	3
Jennifer Chan	20,573,128	2
Scott Apmann	60,204,980	2
Joseph (jay) Massimo		
Penny Garver	19,559,000	2
Michael Hassett	29,818,578	4
Robert Bushey		
Philip Shober	21,009,669	2
Lisa Pattinson	8,000,000	3
Mary Brautigam	559,079	1
Bret Bokelkamp	34,845,347	3
Dennis Devito		
Richard Matusz	32,204,933	6
Gregory Russano		
Helena O'reilly	17,506,929	1
Constantine Krikos		
Ronald Andersen		
Christine Gerula	10,638,685	1
Carl J Fiorini	22,213,194	2
Christopher Buchholz		
Michael Postupak		
Michael Smith	3,121,327	2
Jason Hill	13,024,736	4

RM	Exposure \$	# Clients
Martin Murphy	5,083,340	1
Janice Mills	9,749,488	1
Daniel Vereb		
Michael Reilly	8,750,417	1
Marc Feigenbaum	1,365,000	1
John Siegrist	11,559,011	1
Dennis Wasilewski		
Kevin Kelly	7,550,000	2
Zerick Cook		
Brett Gibble	7,023,287	2
Karen Ng	500,000	1
Alex Lurye	6,220,645	2
Jay Klatsky	5,300,159	1
John Bowen	5,240,059	1
Todd Mandella		
Sonal Mehta	4,122,598	1
Avis Spann	4,010,575	1
Joan Risko		
Carl Helander		
John (scott) Rielly	1,141,150	1
Sov Ne Line Of Credit		
Frank Cosentino	850,000	1
Dennis Smith		
William (jay) Reese		
Michael Heller	300,000	1
Ana Stesney		
Sov Ne Term Loan		
Kathleen McCarthy Workout		
Frederick H Murphy Jr		
Pamela T Campbell		
Grand Total	596,351,705	68

Santander Universities Current US Connections

Santander University Partnerships

- Babson College
- Baruch College
- Bentley University
- Boston College
- Boston University
- Brown University
- Bryant University
- Columbia University
- Fordham University
- Harvard University (2 agreements)
- College of Holy Cross
- Long Island University
- MIT
- Mass Maritime Academy
- Mommouth University
- New York University
- Northeastern University
- Princeton University
- Providence College
- Suffolk University
- State University of New York
- Tufts University
- University of California (LA)
- University of Pennsylvania
(The Lauder Institute)
- Yale University

Commercial Equipment & Vehicle Finance

2016 Strategic Plan

Boston – June 2013



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Market Overview

Equipment Finance Market

- Equipment leasing and finance is a \$628 billion¹ industry
 - Origination volume for 2010 totaled \$165 billion²
 - The types of industries financed include:
 - Aviation
 - Energy
 - Construction
 - Healthcare
 - Mining
 - Transportation
- Where we operate*

Sovereign is a
niche player with
less than 1% of
the market

Top 5 Financial Sources

Net Assets as of 2009



GE Capital

\$140B



\$44B



\$34B



\$27B



\$27B

¹Source: Equipment Leasing and Finance Association

²Source: 2011 Monitor 100

Business Summary

CEVF is a national business comprised of three distinct business lines within the Transportation segment

1

Vehicle Finance

financing for commercial vehicles through secured term loans

- Tow, Recovery and Transport operators



- Commercial School Bus, Transit and Tour Bus companies



- Limousine/Livery operators



- Ambulance and Para-transit

2

Municipal

financing of essential-use equipment for municipalities

- School Districts



- Local village, town and county governments



- Government entities in fire, rescue and ambulance services

3

Vehicle Funding

financing for leasing companies on a full-recourse basis

- Highline vehicles



- Commercial-use vehicles



- Government-use vehicles



Vehicle Finance: Business Line Summary

Business Line Description

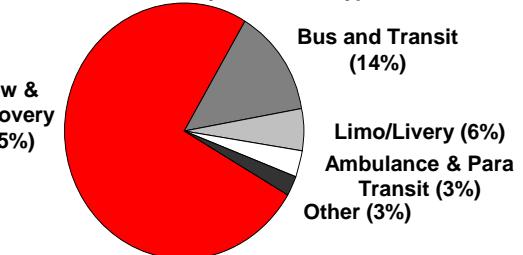
- Commercial Vehicle Finance is a national, direct lender providing financing for commercial vehicles through secured term loans
- SOVEREIGN IS THE MARKET LEADER IN TOWING & RECOVERY**

Customer Characteristics

- Tow, Recovery and Transport (42K operators with >\$1B in loans)
- School Bus, Transit and Tour Bus companies
- Limousine/Livery operators
- Ambulance and Para transit
- Small to moderate size service-based customers with annual sales of \$500K - \$10MM
- Average Ticket = \$87M

Vehicle Finance = \$460MM in Assets* (45% of CEVF)

Asset Breakdown by Customer Type



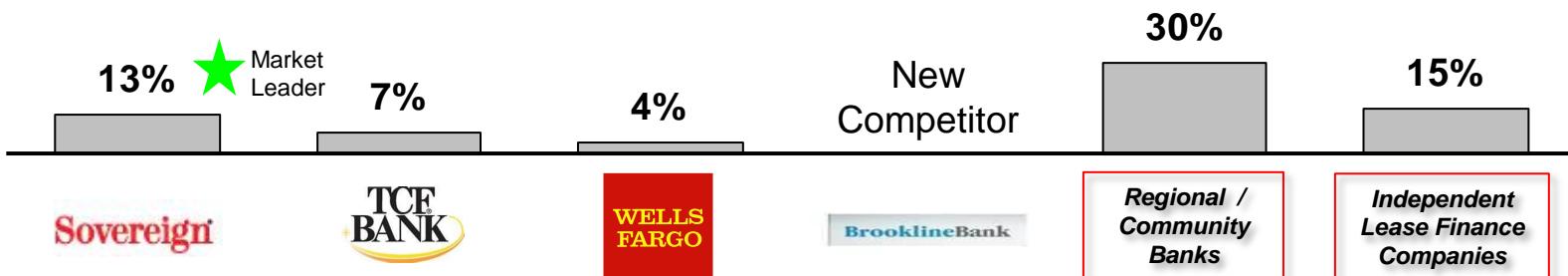
Business Channels

- AAA: Preferred Supplier since 1997 (contractor penetration 18%)
- Miller Industries: Miller Finance Advantage (21% penetration)
- Distributors

Risk Profile

- Collateral: Income-producing and strong resale market, AAA (Withhold & Disburse)

Market Share by Competitor (Towing & Recovery)



*Assets as of March 31, 2013

Municipal: Business Line Summary

Business Line Description

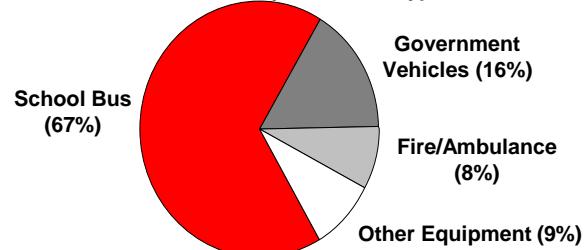
- A national program providing financing for the acquisition of essential-use equipment for municipalities (i.e.: emergency vehicles, communications equipment, school buses, etc.)

Customer Characteristics

- School Districts
- Local village, town and county governments
- Government entities in fire, rescue and ambulance services
- Sovereign Branch and Government Banking referrals
- Sovereign Average Ticket = \$351M

Municipal = \$364MM in Assets* (36% of CEVF)

Asset Breakdown by Customer Type



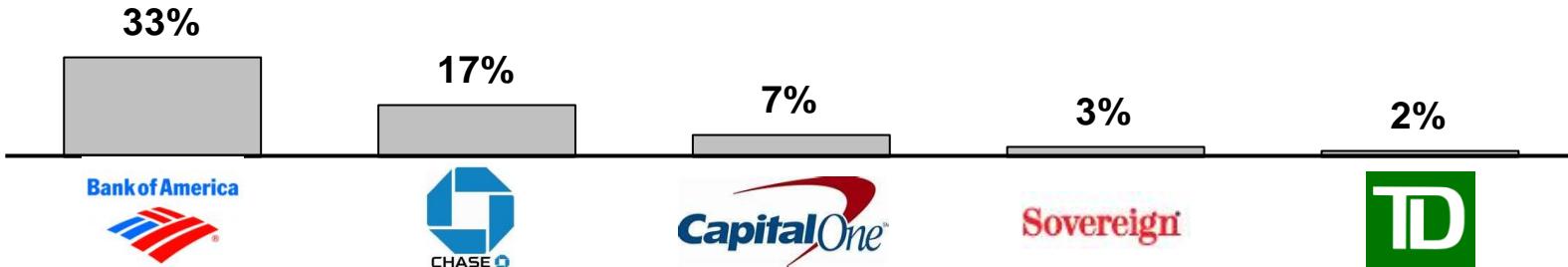
Business Channels

- Public Bids
- Distributors / Vendors
- Direct Contact

Risk Profile

- Rated municipalities, essential-use collateral

Market Share by Competitor



*Assets as of March 31, 2013

Vehicle Funding: Business Line Summary

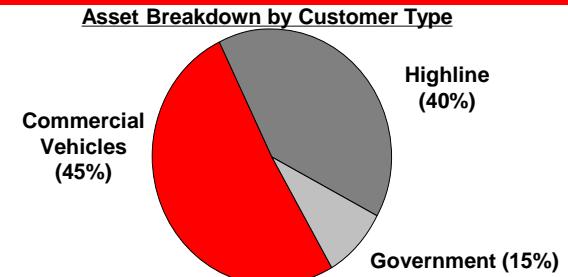
Business Line Description

- Vehicle Funding provides financing of motor vehicles for approved leasing companies (Lessors) on a full-recourse basis (lessor guarantees 100%)

Customer Characteristics

- Independent leasing companies that originate for the following types of collateral:
 - Commercial-use vehicles (fleet autos, trucks and ambulances)
 - Highline vehicles (exotic, luxury)
 - Government-use vehicles (police, homeland security, agency passenger vehicles)
- Sovereign Average Ticket = \$37M

Vehicle Funding = \$190MM in Assets* (19% of CEVF)



Business Channels

- New / existing leasing companies: (lessor penetration 25%)
- Referrals

Risk Profile

- Full-Recourse, Lessor and Lessee guarantee, term & structure

Market Share by Competitor

45%

27%

14%

10%

4%



Sovereign

CapitalOne

Signature BANK

TD

*Assets as of March 31, 2013

AAA, CCAP and Business Development

AAA

- Preferred Supplier since 1997
- AAA National, Heathrow, FL
- 44 Clubs, 4 Holding Co.'s
- Approx. 54MM Members
- Approx. 14,000 Service Providers (ERS and AAR)
- Portfolio Data: 3,330 Accounts; 1,089 Customers; \$181MM

AAA Volume 2011 vs. 2012

Club Name	2011	2012
Auto Club Enterprises	\$ 23,228,318	\$ 22,751,275
Auto Club Group	\$ 10,995,806	\$ 14,081,442
Auto Club Partners	\$ 18,836,140	\$ 12,017,355
Motor Club Holdings	\$ 13,860,889	\$ 14,143,120
Independent Clubs	\$ 5,828,785	\$ 9,174,443
Total	\$ 72,749,938	\$ 72,167,635

Credit Card Acceptance Program (CCAP)

- Merchant Services for AAA contractors



AAA CCAP Volume 2011 vs. 2012

Club Name	2011		2012	
	Transactions (#)	Transactions (\$)	Transactions (#)	Transactions (\$)
Auto Club Enterprises	121,119	\$23,497,071	190,214	\$36,901,516
Auto Club Group	72,557	\$14,088,682	69,821	\$13,073,685
Auto Club Partners	126,763	\$26,075,808	140,042	\$28,281,029
Motor Club Holdings	142,043	\$22,652,012	81,782	\$17,065,721
Independent Clubs	98,053	\$18,726,454	82,167	\$16,412,377
Total	560,535	\$105,040,027	564,026	\$111,734,328

Business Development

- Supports and markets the business lines



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Current State of the Business

2009-10

2011-12

2013+

Events of Sovereign CEVF

- Upon Santander acquisition, a strategic review was conducted to determine the path forward for CEVF
- The review concluded that CEVF should remain a part of Sovereign-Santander for the following reasons:
 - Strong track record of performance
 - Significant growth opportunities
 - Profitability – strong margins
 - Exceptional asset quality
 - Synergies with SME businesses

Decision-making: Sell vs.. Retain”

- Key Accomplishments to-date:
- Business Expansion
- Entered into the Heavy Duty market with an aggressive marketing strategy
- Hired a dedicated Municipal sales representative to expand our Municipal market presence
- Marketing
- Rebranded all marketing material for all CEVF business lines
- Increased brand awareness with numerous direct mail campaigns
- Financial
- Increased portfolio 22% from \$745MM at year-end 2010 to a current balance of \$913MM while maintaining strong margins (>5%)

“Expansion Phase”

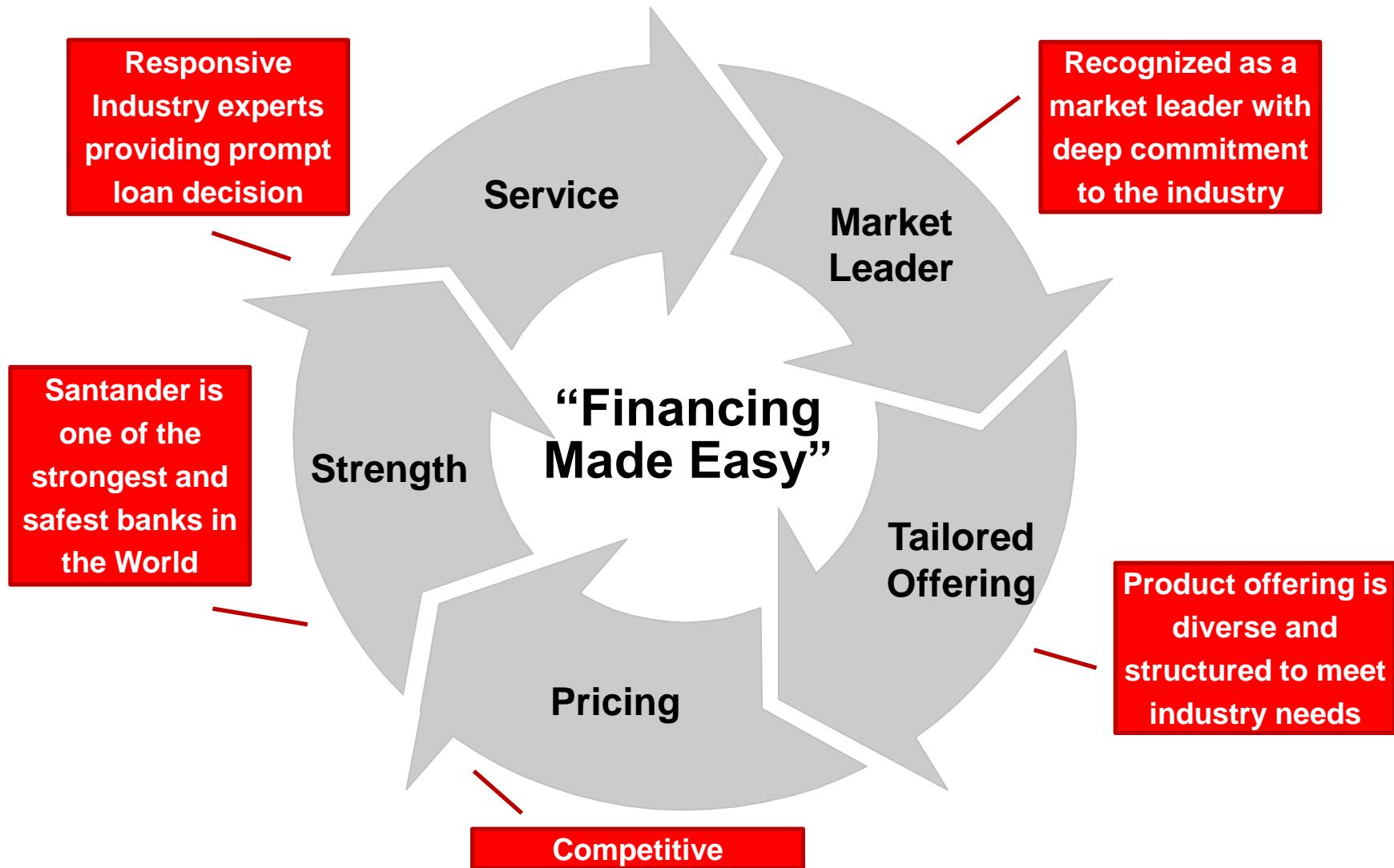
- Surpassed the \$1Billion portfolio balance threshold
- Increased new lessor base by 15%
- Maintained superior asset quality
- Increased CV FTE's to increase market share and productivity
- BDO hired to increase market share on the west coast
- Launched Customer Rewards Program
- Developed Vendor Loyalty Program
- Rebranding
- Restructured the Municipal team

Accomplishments



Santander

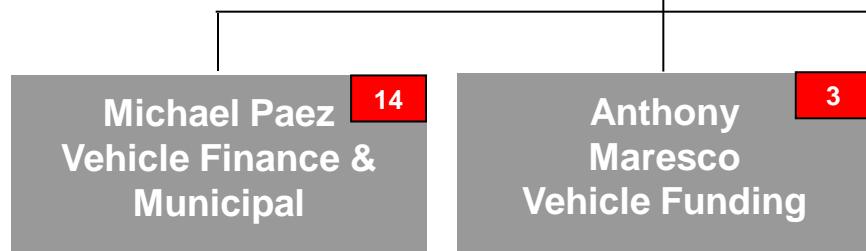
CEVF Value Proposition



CEVF

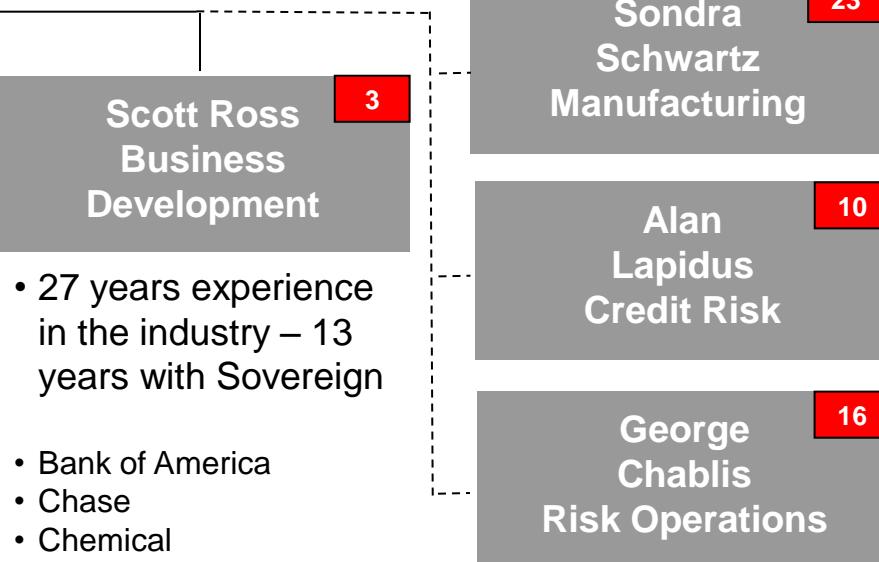


CEVF Positions	
Business Development	21
Support	49
Total	70



- 32 years experience in the industry -17 years with Sovereign
- Manufacturers Hanover
- Nat West
- Privately Held Leasing Companies

- 28 years with Sovereign
- Nat West

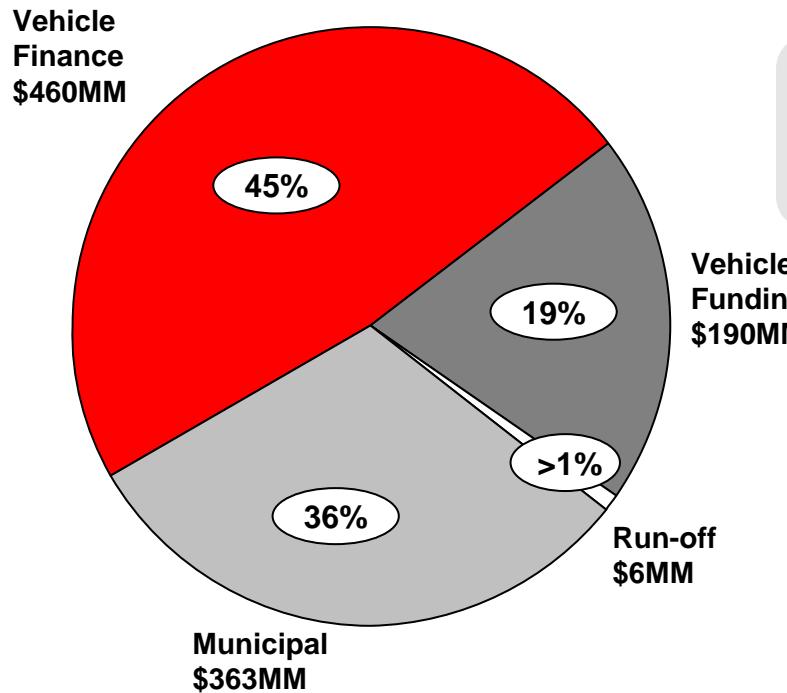


■ Team Members

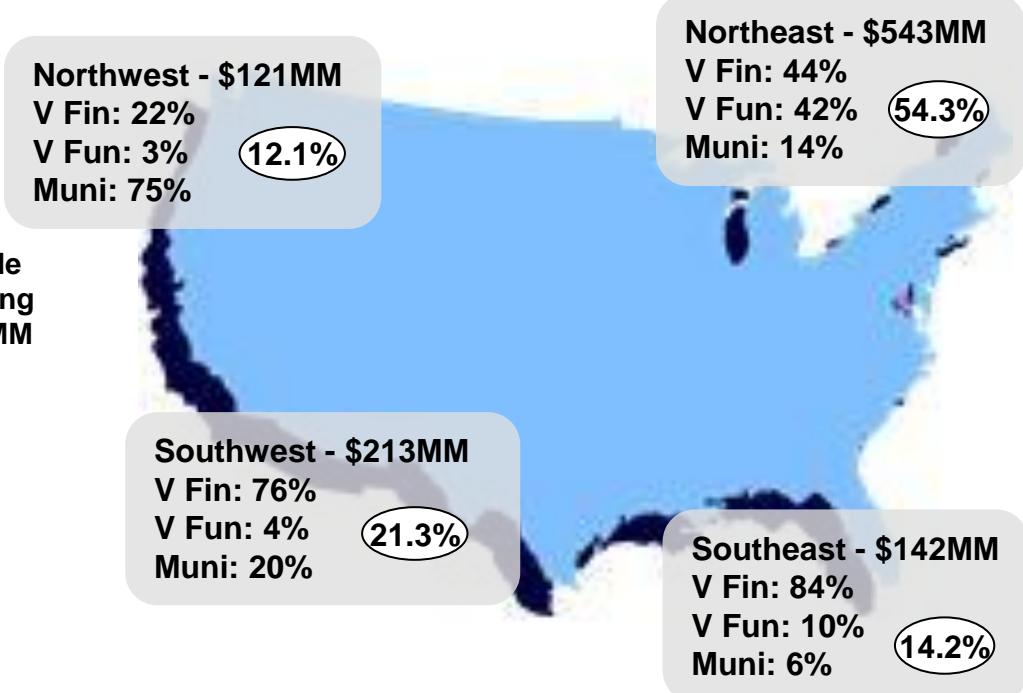
CEVF: Portfolio Composition

CEVF is a credit–driven business with a current loan portfolio of \$1.0B

Business Line Composition

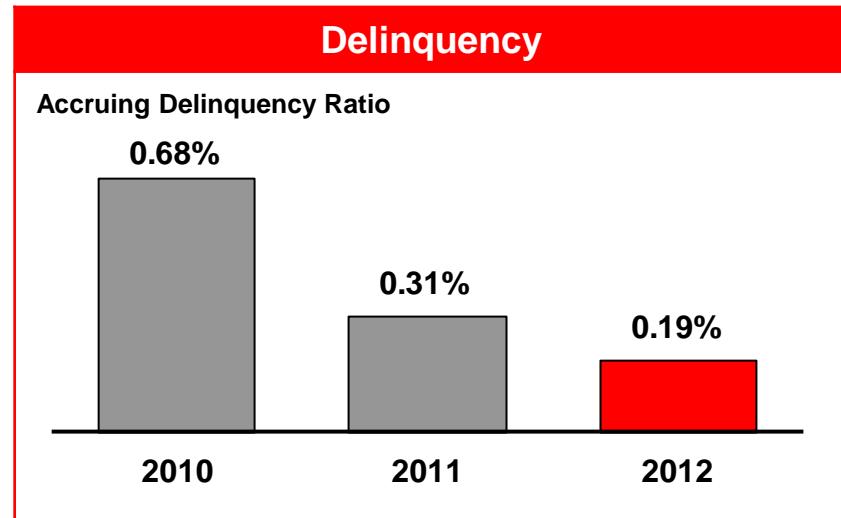
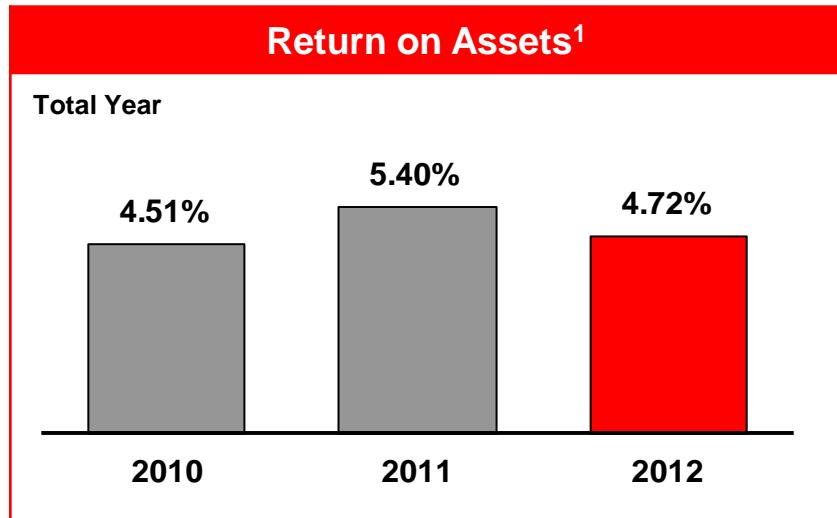
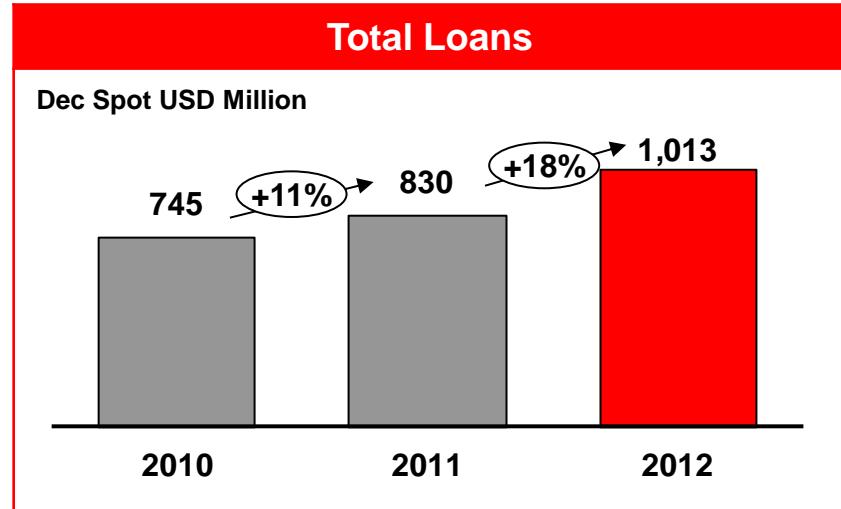
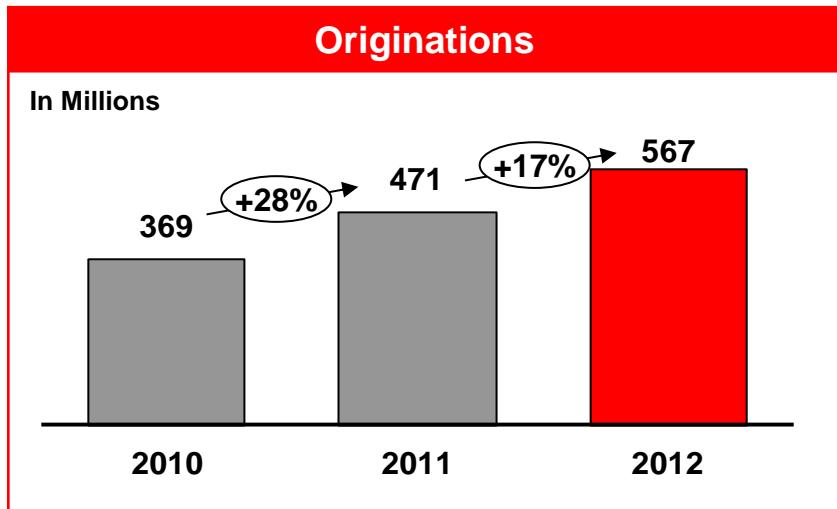


Geographic Footprint



CEVF – Key Metrics

CEVF is growing profitably with risk that is both minimal and predictable

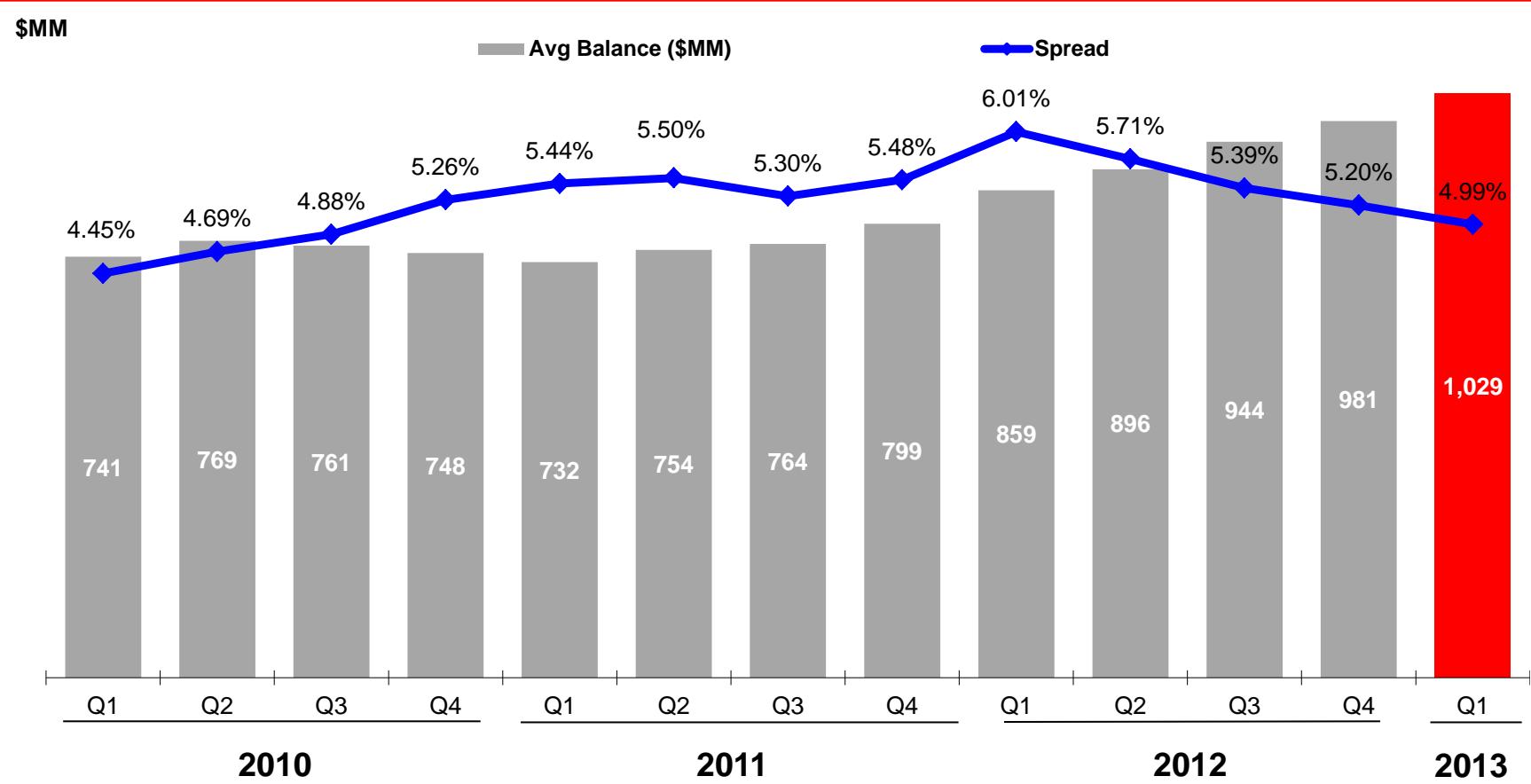


¹Net of Provision

Quarterly Loan Balances and Spread

Loan balances continue to increase during this time period; spread has declined slightly driven by growth in the Municipal business which has had lower margins historically

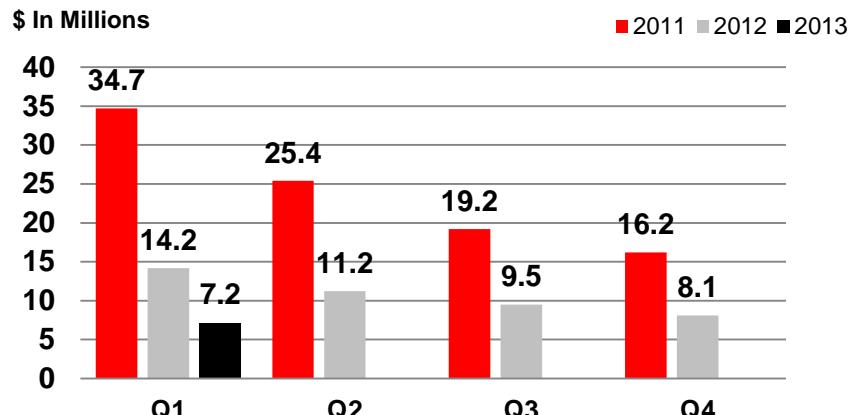
Loan Balances will continue to increase in 2013



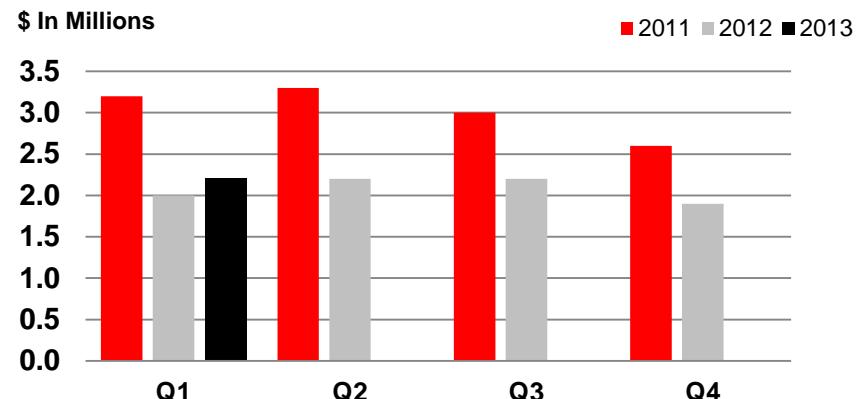
Asset Quality

Asset quality trends continue to be positive

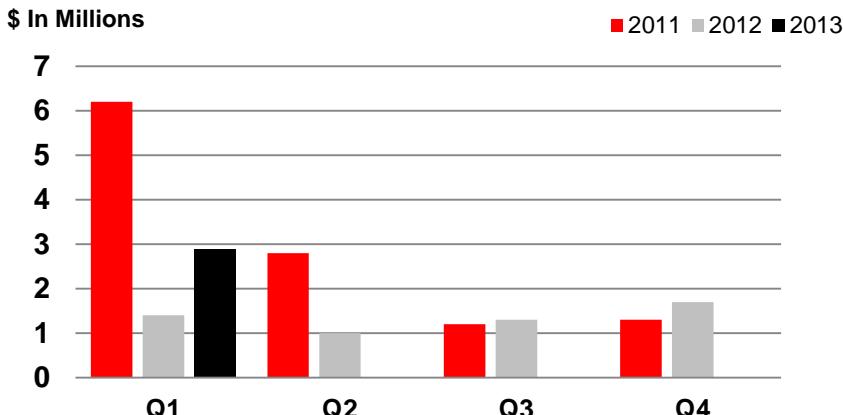
Asset Risk Rating > 8



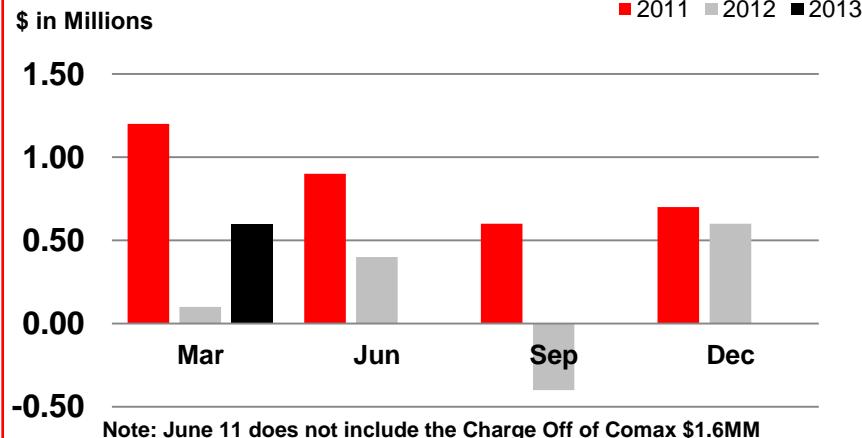
Accruing Delinquency (30+ DPD)



NPL



Net Charge Offs



Financial Summary: 2010 - 2012

\$MM	2010 Actual	2011 Actual	2012 Actual	Growth '10-'12
Loan Balance	Vehicle Finance	357	375	24%
	Vehicle Funding	230	189	(20%)
	Municipal	159	185	79%
	Total¹	755	762	919
Loan NIM	Vehicle Finance	20.2	23.6	20%
	Vehicle Funding	9.0	8.9	(6%)
	Municipal	7.0	8.0	47%
	Total¹	36.8	41.4	43.4
Loan NIM %	4.87%	5.43%	4.74%	-13 bps
Fees/Other	1.0	1.0	0.8	(20%)
Total Revenue	37.8	42.4	44.2	17%
Provision	3.8	(1.4)	(1.0)	
Net Revenue	34.0	43.8	45.2	33%

¹Includes Run-off Portfolio

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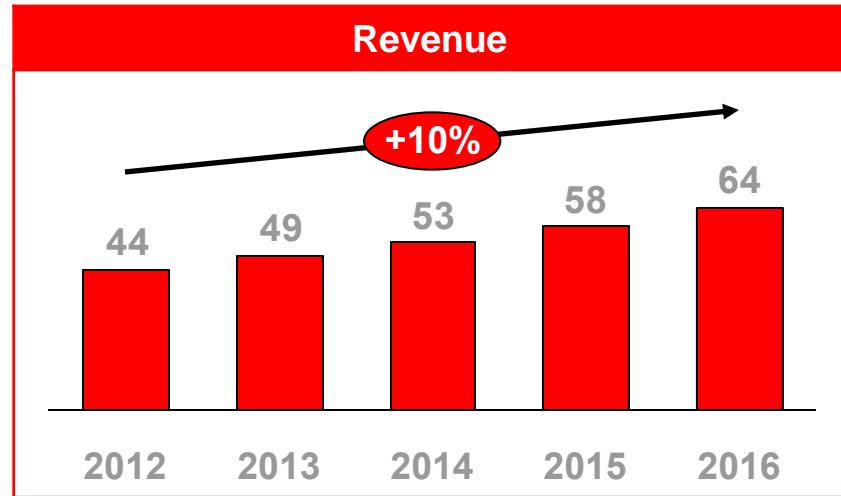
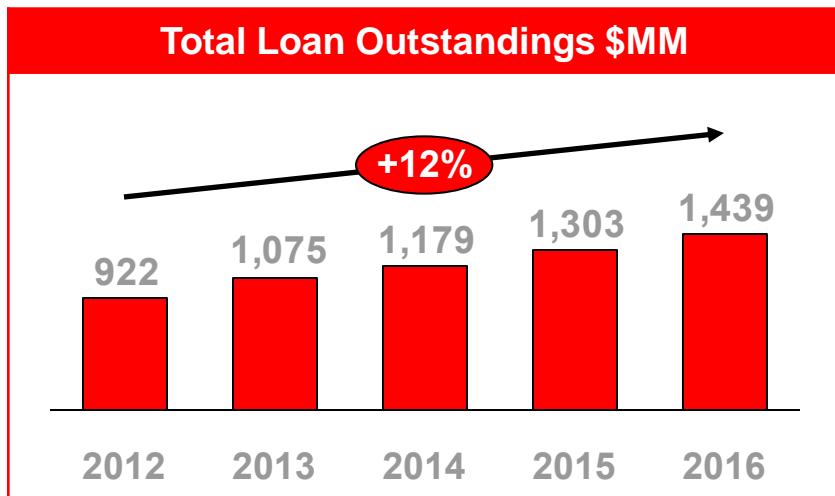
Appendix

CEVF Financial Summary – \$MM

	2012 Actual	2013 Budget	\$	Delta %
Loans				
Orginations	\$562	\$727	\$165	29.40%
Avg Bal - Annual	\$920	\$1,075	\$155	16.80%
Spot Bal - Dec	\$1,013	\$1,185	\$172	17.00%
Int Income % (Incl. Tax Equiv)	5.67%	5.51%	-1.16%	-2.90%
FTP %	<u>0.93%</u>	<u>0.84%</u>	<u>-0.09%</u>	<u>-9.90%</u>
Spread %	4.74%	4.67%	-0.07%	-1.50%
Loan NIM	\$43.40	\$50.20	\$6.80	15.60%
Deposit NIM	\$0.00	\$0.00	\$0.00	-74.20%
Fees	\$0.80	\$1.20	\$0.40	47.20%
Total Revenue	\$44.20	\$51.40	\$7.10	16.10%

CEVF Financials: Baseline Growth (2013 – 2016)

Over the next 3 years CEVF projects a compounded annual growth rate of 10%



Commercial Vehicle		BAU Initiatives	Municipal
		Vehicle Funding	
Marketing		<ul style="list-style-type: none"> • Market Expansion (Collateral) • Vendor Incentive Program • Customer Loyalty Program • Direct Mail \ Trade Shows • Distributor and AAA Club Programs 	<ul style="list-style-type: none"> • West Coast Penetration • New Lessors • Retail Finance Product • Fleet Finance Program
			<ul style="list-style-type: none"> • Target School Bus Distributors • Direct Referral Sources

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- Initiatives
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Initiatives to Expand CEVF



1

1. Re-enter into Healthcare Equipment Financing

- Portfolio Acquisitions and Business Development

2

2. Expand Lending Capabilities into Market Niche

- Taxi Medallion Financing

3

3. Further Enhance Municipal Lending Capabilities

- Short-Term Debt and Extended-Term Financing Options

4

4. Leverage Existing Relationships

- Commercial Vehicle Floor Plan Lending

1 Healthcare Equipment Financing



Opportunity

Re-enter the healthcare market by acquiring a seasoned team of business development officers and utilize the experience, knowledge and capacity of the existing CEVF management, staff and operating systems. Provide a source of cross sell for bank products & services

Projected Growth

\$280MM in originations over the next 3 years

Targeted Implementation

Q1 2014

Major Competitors

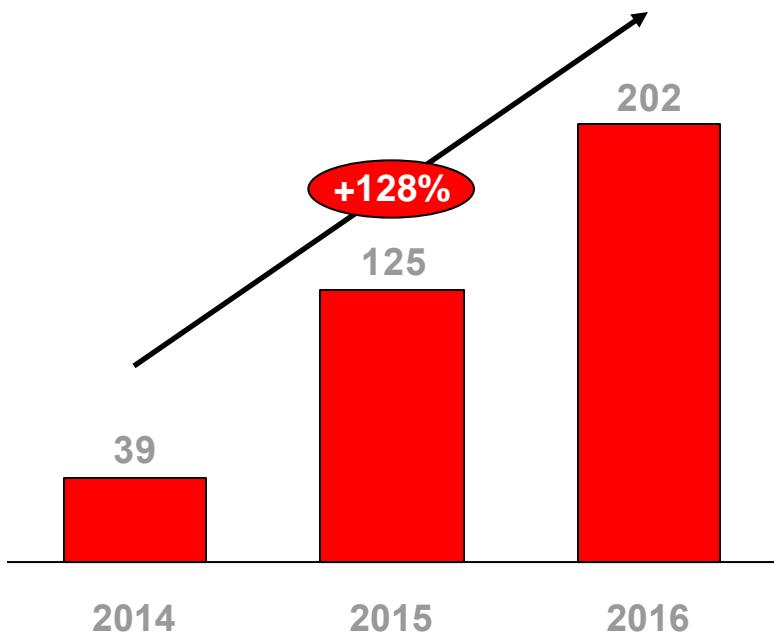


1 Healthcare Portfolio Projections

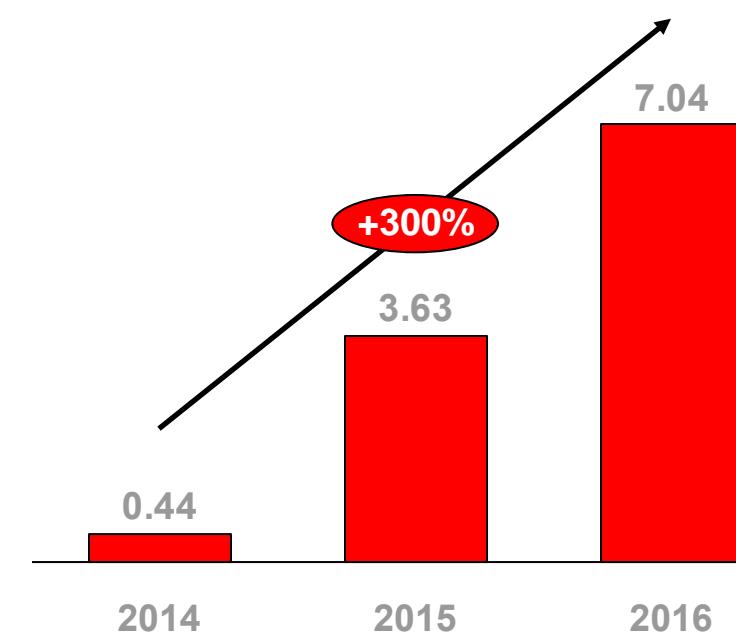


With direct initiatives CEVF will be able to add an additional \$202MM in balances by 2016, in this **STRONG** growth industry

Incremental Loan Outstandings



Incremental Net Revenue



1 Healthcare Equipment Financing

Resource Requirements



Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
				2014	2015	2016	
Corporate	BDO III - Sales Manager	CEVF	1	1	0	0	\$120M
Corporate	BDO II	CEVF	3	3	0	0	\$306M
Corporate	Relationship Assistant III	CEVF	1	1	0	0	\$55M
Corporate	Relationship Assistant II	CEVF	2	1	1	0	\$110M
Operations	CEVF Specialist – Documentation	CEVF	3	2	1	0	\$120M
Operations	CEVF Specialist – Funder	CEVF	1	0	1	0	\$40M
			11	8	3	0	
Corporate	Marketing	CEVF	0	0	0	0	\$200M

Possible Risks & Mitigants

- Risk: Re-entering into the market is difficult due to adverse exit in 2010
- Mitigant: Rebranding to Santander
- Risk: Equipment / Technology changes
- Mitigant: Full amortizing transactions with no purchase option

2 Taxi Medallion



Opportunity

A taxi medallion is an exclusive (and transferable) license to operate a cab within the boundaries of a municipality. Taxi medallion cabs operate in 15 major cities in the US including New York, Chicago, Boston, etc. This initiative seeks to target this market which has a total value of \$16.3B.

Projected Growth

\$457MM in originations over the next 3 years

Targeted Implementation

Q1 2014

Major Competitors

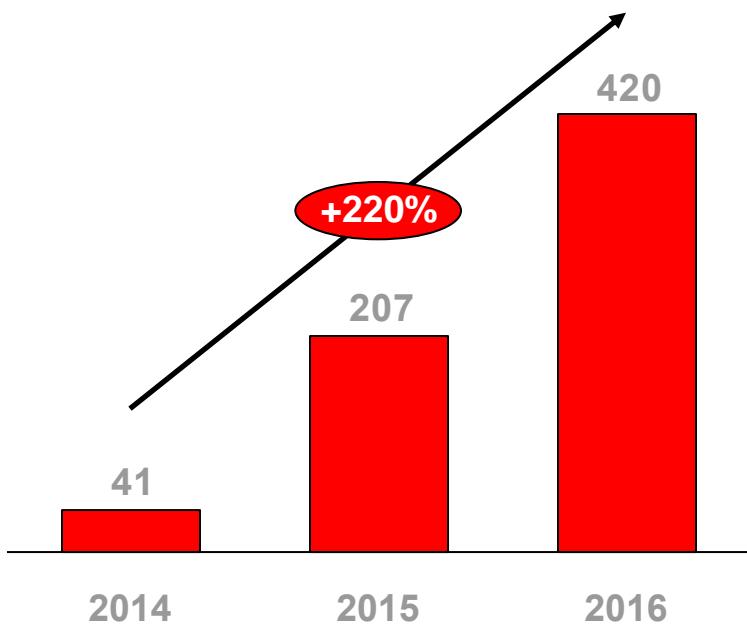


2 Tax Medallion: Financing Projections

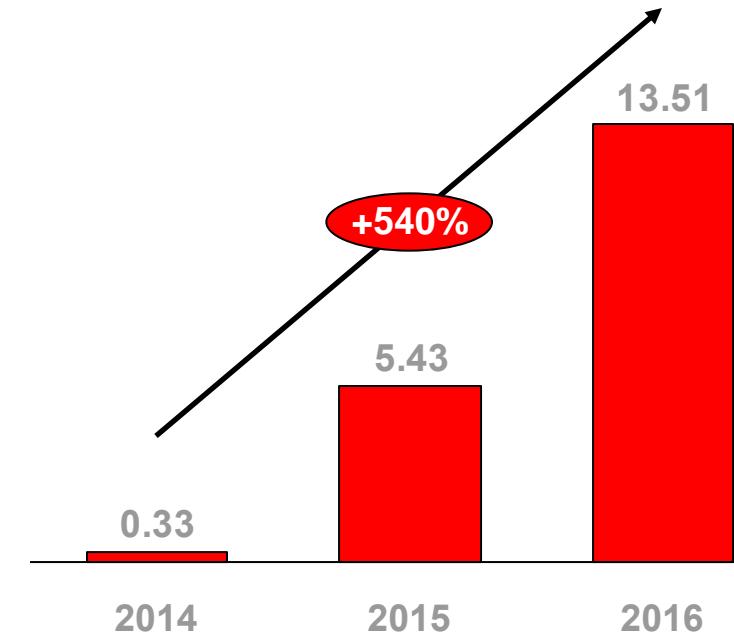


Consistent annualized growth opportunity with minimal risk

Incremental Loan Outstandings



Incremental Net Revenue



Taxi Medallion

Resource Requirements



Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
				2014	2015	2016	
Corporate	BDO III – Sales Manager	CEVF	1	1	0	0	\$250M
Corporate	BDO II	CEVF	1	1	0	0	\$120M
Corporate	Relationship Assistant II	CEVF	2	2	0	0	\$110M
Credit	Credit Analyst	CEVF	1	1	0	0	\$125M
Operations	Documentation Specialist	CEVF	2	1	1	0	\$80M
Risk	Risk Administrator II	CEVF	1	1	0	0	\$50M
				8	7	1	0
Corporate	Marketing	CEVF	0	0	0	0	\$50M

Possible Risks & Mitigants

- Risk:
 - Nonpayment on the medallion
 - Medallion market value decreases
- Mitigant:
 - Number of licensed medallions are controlled / limited
 - LTV 85% of medallion value .

3 Short-Term Municipal Debt Financing



Opportunity

Expand current relationships through offering debt financing throughout entire product geographic region. Support existing and further expansion of Government Banking relationships

Projected Growth

\$215MM in additional originations over the next 3 years

Targeted Implementation

Q1 2014

Major Competitors



Extended-Term Municipal Financing



Opportunity

Provide financing for Energy Savings Projects for municipal entities including cities, school districts and universities for terms up to 16 years.

Projected Growth

Implementing the project in Q1 2014 will yield \$215MM in additional originations over the next 3 years

Possible Risks & Mitigants

- Risk: Longer term increases the potential default risk
- Mitigant: Repayment source is directly correlated to operational savings supported by contractual guarantee limiting economic impacts from budgetary constraints.

Major Competitors



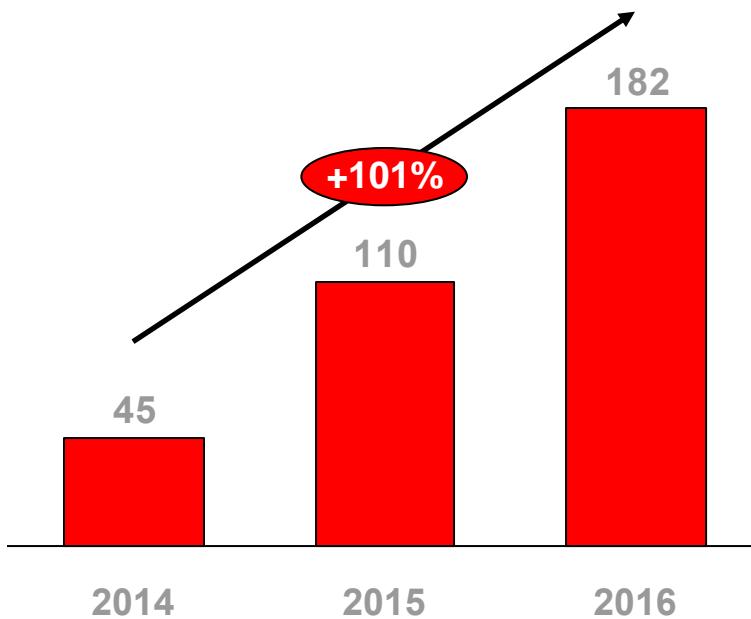
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Municipal Financing Term Extension Projections

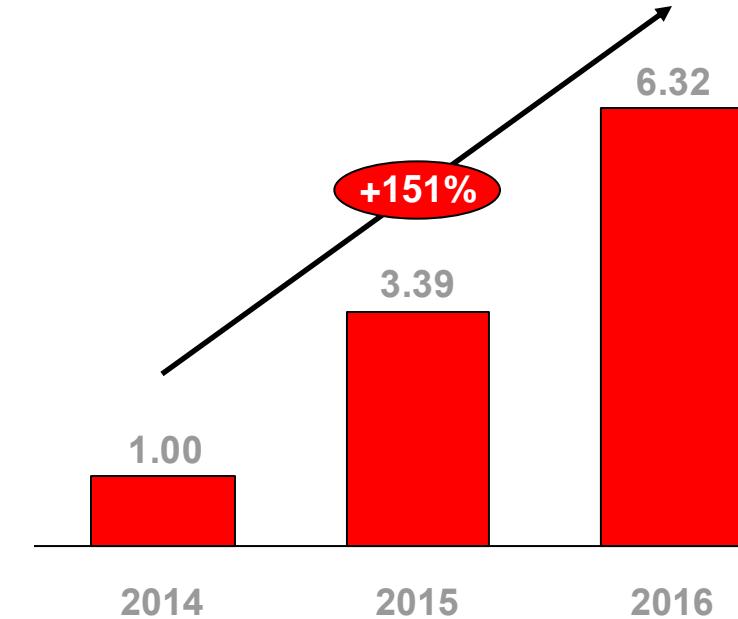


Significant growth with minimal investment

Incremental Loan Outstandings



Incremental Net Revenue



Commercial Vehicle Floor Plan Financing Initiative



Opportunity

Sovereign currently has strong relationships with Miller Industries and Mid-West Transit. The purpose of this initiative is to provide towing & school bus distributors with floor plan inventory financing.

Projected Growth

\$92MM in additional originations over the next 3 years

Targeted Implementation

Q1 2014

Major Competitors



GE Capital

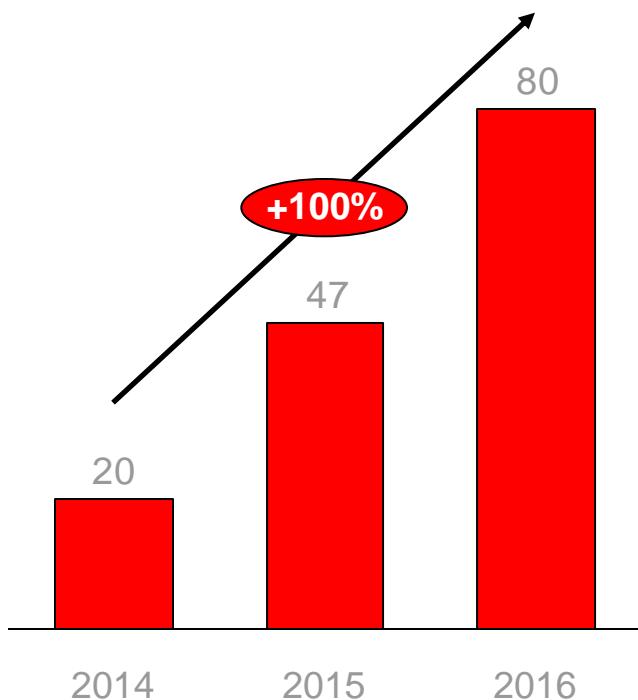
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Commercial Vehicle Floor Plan Financing Projections

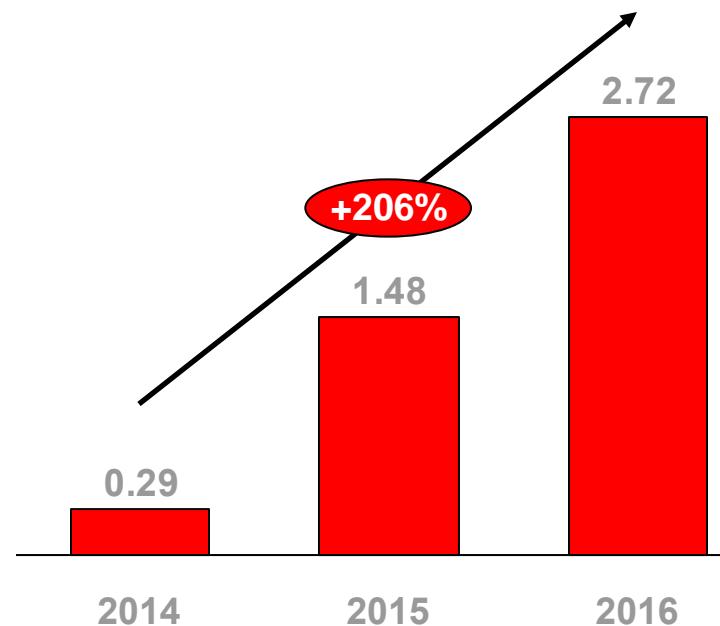
Growth utilizing existing infrastructure and franchise



Incremental Loan Outstandings



Incremental Net Revenue



Commercial Vehicle Floor Plan

Resource Requirements



	Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
					2014	2015	2016	
People	Corporate Banking	BDO II - Relationship Manager	CEVF	1	1	0	0	\$110M
	Operations	Documentation Specialist	CEVF	1	1	0	0	\$40M
	TOTAL			2	2	0	0	
Other	Project Name	Business Driver	Description			Delivery date	Estimated cost	
	Floor Plan	Grow Revenue	Data Scan infrastructure needed to launch Floor Plan initiative			Jan-14	\$60M	
	Marketing	Grow Revenue	Direct mail and other marketing avenues			Jan-14	\$10M	

Possible Risks & Mitigants

Risk: Sale or transfer of ownership of underlying collateral to purchaser without satisfaction of existing Floor Plan loan obligation.

Mitigant: Conduct detailed field audits, regular financial reviews, retain physical title documents with clear evidence of our security interest to prevent transfer.

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- **Business as Usual**
- **Initiatives**
- **Consolidated Plan**

Key Conclusions

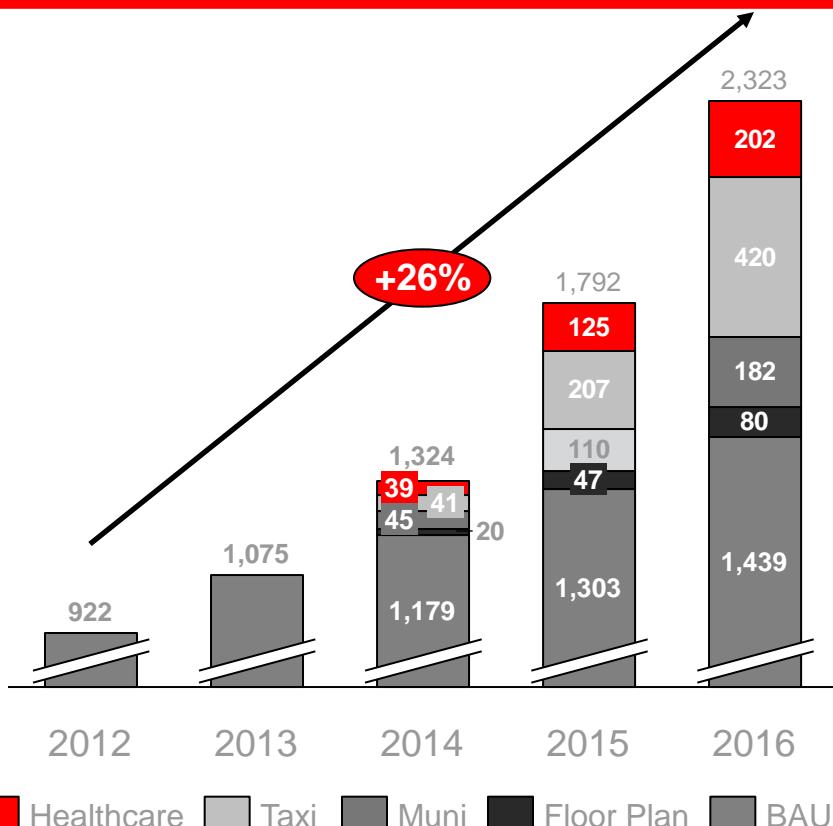
Appendix

CEVF Financials: Strategic Initiatives Growth

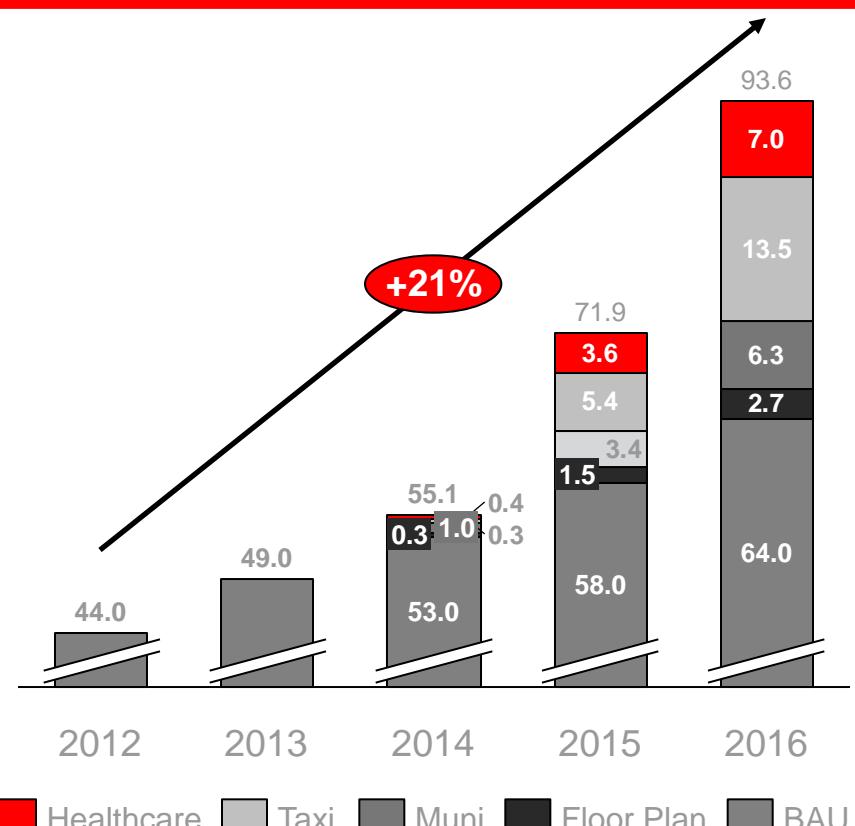
2012 to 2016

Over the next 3 years, these initiatives will result in \$884MM in originations and \$29.5MM in additional revenue

Incremental Loan Outstandings 2013-2016 (\$MM)



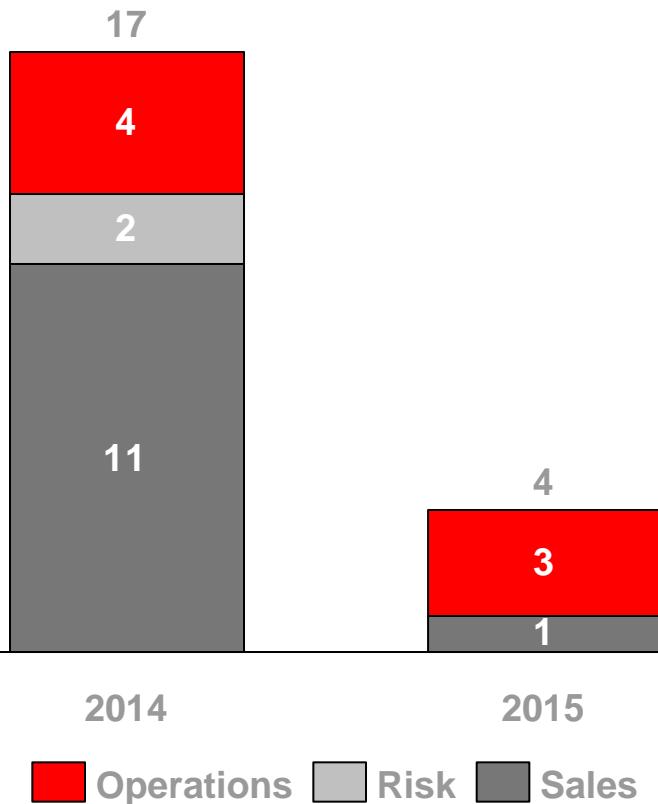
Incremental Net Revenue 2013-2016 (\$MM)



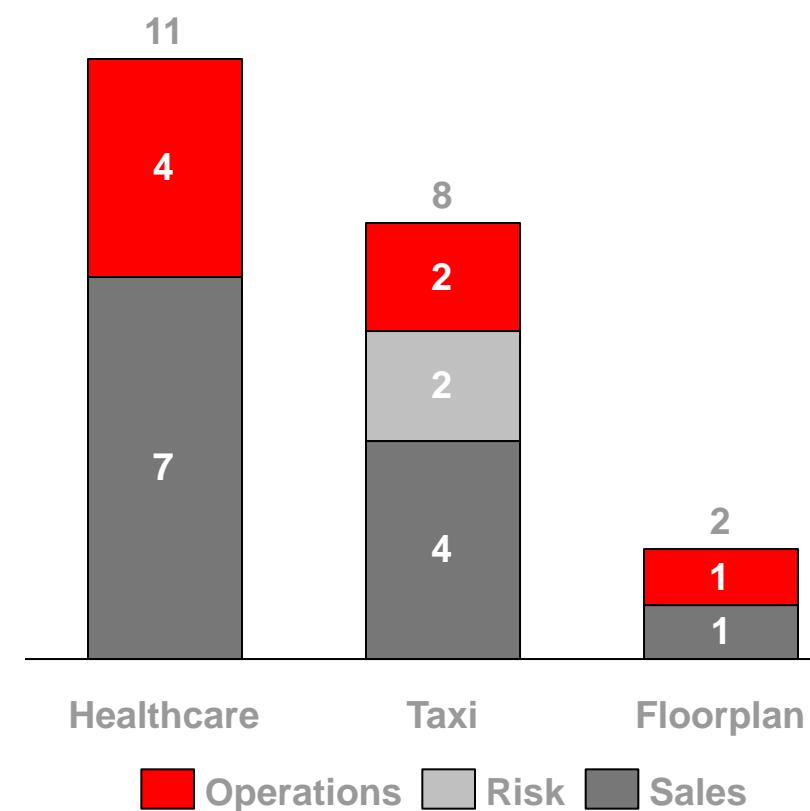
Strategic Plan – FTE Required

Adding 21 FTE's over the next 3 years will support the 113% in revenue growth

FTE Required by Function 2014-2016



FTE Required by Initiative 2014-2016



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Conclusions

CEVF has a plan to grow its revenue by 113% over the next 3 years

Summary

- CEVF has a proven track record of performance
 - ✓ This business has grown Loans by 35% and Revenue by 41% over the past 3 years
 - ✓ Asset Quality remains stellar with a Classified Ratio (>8) of 0.7% and NPLs at 0.29%
- CEVF is a scalable business – its ability to generate significant returns through high margins and quality assets is sustainable
- Significant growth opportunities have been identified within existing and new markets
 - ✓ The portfolio will grow by 152% and revenue will grow by 113% over the next 3 years
 - ✓ CEVF will be a \$94MM+ revenue business by 2016

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International Financial Institutions

2016 Strategic Plan

Boston – June 2013



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Macro environment favorable for exposure to IFI names with good rating

- New and stricter regulations across global banking industry
- US banks reflecting better liquidity and capital, as well as improving asset quality leading to ratings upgrades for US banking industry
 - Moody's 28 May 2013: *US banking system outlook changed to stable as economy improves*
 - Fitch 29 May 2013: *Reaffirms stable rating outlook for the U.S. banking industry.*

Growing demand from commercial clients with ventures in emerging economies driving need for FI limits to support Trade Flows

- SAN franchise growing in emerging markets: Asia, Eastern Europe.
- Growing client trade flows from emerging markets to US and LatAm

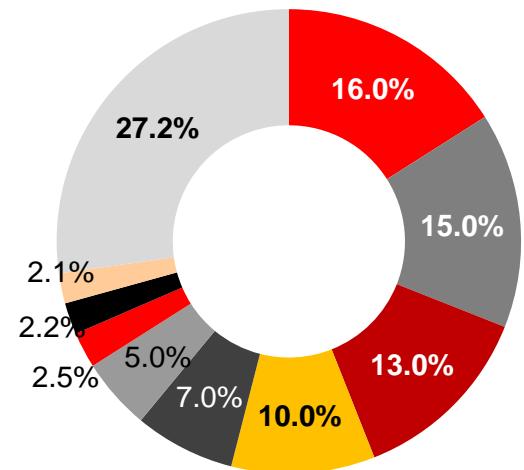
New global initiative for coordination of activity and reciprocity with non-GBM correspondent banks.

- Newly International Business global unit (UGNI) set up in Madrid to coordinate and optimize commercial business opportunities in foreign trade flows

US Banking Industry Overview

Key Financial Information 2012 (vs.. 2011)			
Total assets	USD 14,451 BN (4.0%)	Total loans	USD 7,533 BN (3.4%)
Net income	USD 141,304 MM (19%)	NPL / Total loans	2.20% (vs. 2.6%)
Total deposits	USD 10,817 BN (6.2%)	Loans to deposits	69.7% (vs. 71.5%)
Nº Banks	7,083 (-3.7%)	FDIC's "problem list" by assets	USD 233 BN (-26.9%)

Largest banks by total assets (2012)



- The **US banking industry continues to improve and remains broadly stable.** Balance sheets and liquidity are good coupled with stable to improving earnings profiles.
- **US Banks continue to be impacted by rules under Dodd-Frank and Basel III.** Uncertainties will persist through 2013 as a number of important rules have yet to be finalized:
 - Regulators have pushed back implementation dates for the Volcker rule and swaps push-out due to complexities involved.
 - Final rules regarding Basel III have been pushed back from Jan. 1, 2013.
 - Agencies feel greatest impact will depend on treatment of other comprehensive income and risk weights for mortgage assets and there has been no guidance on the implementation of the liquidity coverage ratio and net stable funding ratio.
- Putting aside the uncertainties (and the costs) **the general impact of the legislation will be more capital, better quality capital, less leverage, more liquidity and less participation in risky businesses.**
- **Asset quality improvements among the US banks will peak as loss and delinquency rates begin to return to more normal levels and reserve releases begin to subside.**
- With the Fed continuing its quantitative easing policy interest rates will remain low and **net interest income will also remain depressed.**

- | | |
|-----------------|-------------------|
| ■ JP Morgan | ■ Bank of America |
| ■ Citigroup | ■ Wells Fargo |
| ■ Goldman Sachs | ■ Morgan Stanley |
| ■ Bank of NY | ■ US Bancorp |
| ■ HSBC | ■ Others |

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Exec Summary

A substantial opportunity exists to simultaneously address regulatory issues and leverage new Group initiatives to build revenue streams in Sovereign Bank.

Existing Situation

- No front end team
- Unaddressed regulatory and credit risks*
- No remediation plan
- Untapped business opportunities

Proposed Solutions

- Establish FI coverage** in Corporate Banking
- Immediate focus on AML/KYC remediation plan** for circa 515 RMAs
- Coordinate activity with UGNI** - the newly created International Business global unit
- Tap growth opportunities**

Opportunities

- Develop FI relationships** to support SOV's commercial business and product units
- Position SOV as a credible US platform** for international banks
- Position SOV as the US gateway** for Santander affiliates
- Develop significant revenue streams** through opportunistic credit extensions

FI Unit Overview

The new IFI unit will focus on relationship management and product delivery to the Financial Institutions sector.

Functions

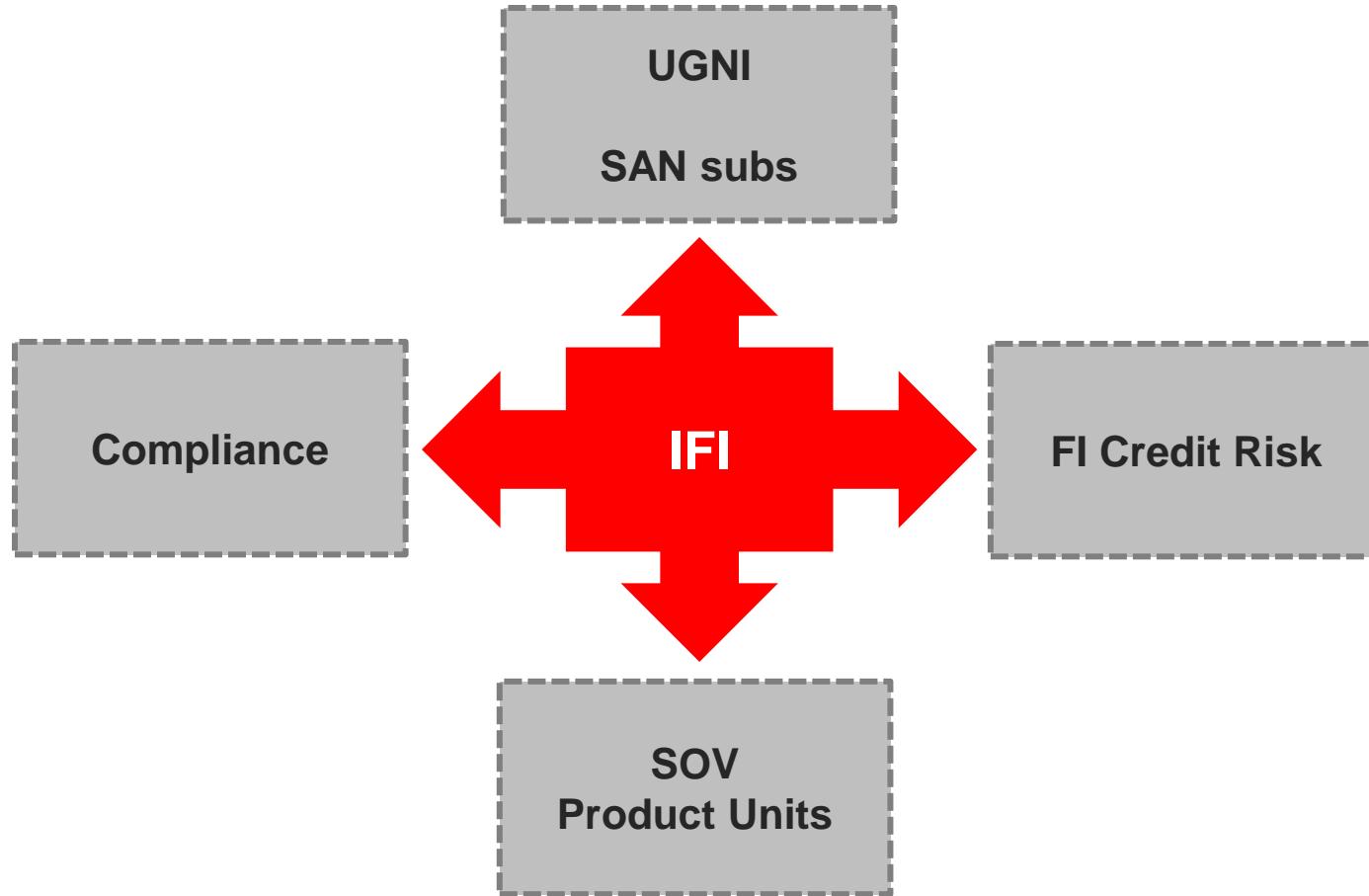
- **Specialty Finance unit** covering non-GBM domestic and international FIs
- **Cross-sell all available bank products** including Cash Management, Trade and Rates products.
- **Opportunistically pursue credit extensions** with FIs including RCFs, LCs and guarantees, Bilateral loans and Trade Finance

Objectives

- **Address regulatory requirements** for FI sector
- **Facilitate business opportunities** for Sovereign's other business segments and product areas
- **Target, develop and maintain relationships;** manage credit exposure with non-GBM FIs.
- **With UGNI, coordinate reciprocity** to correspondent banks
- **Raise the profile of Sovereign Bank** with FI counterparts

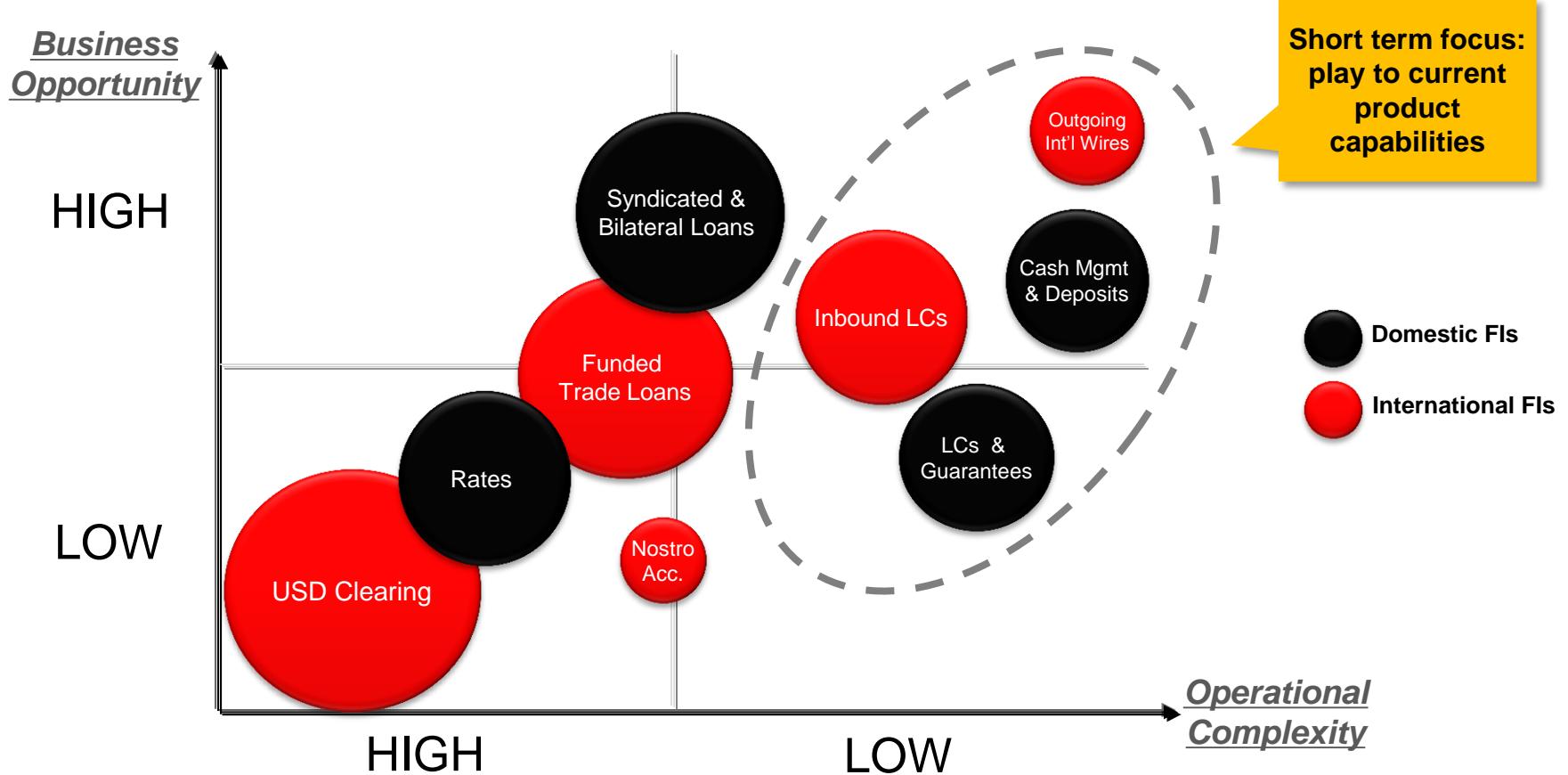
Coordination within Sovereign/ Santander

It is crucial that Sovereign's FI unit be strongly connected with Compliance, Credit Risk, Treasury, Product Units as well as UGNI in Madrid to develop opportunities



Prioritizing Sovereign's FI Product Offer

Current product capabilities dictate short term focus on executable opportunities



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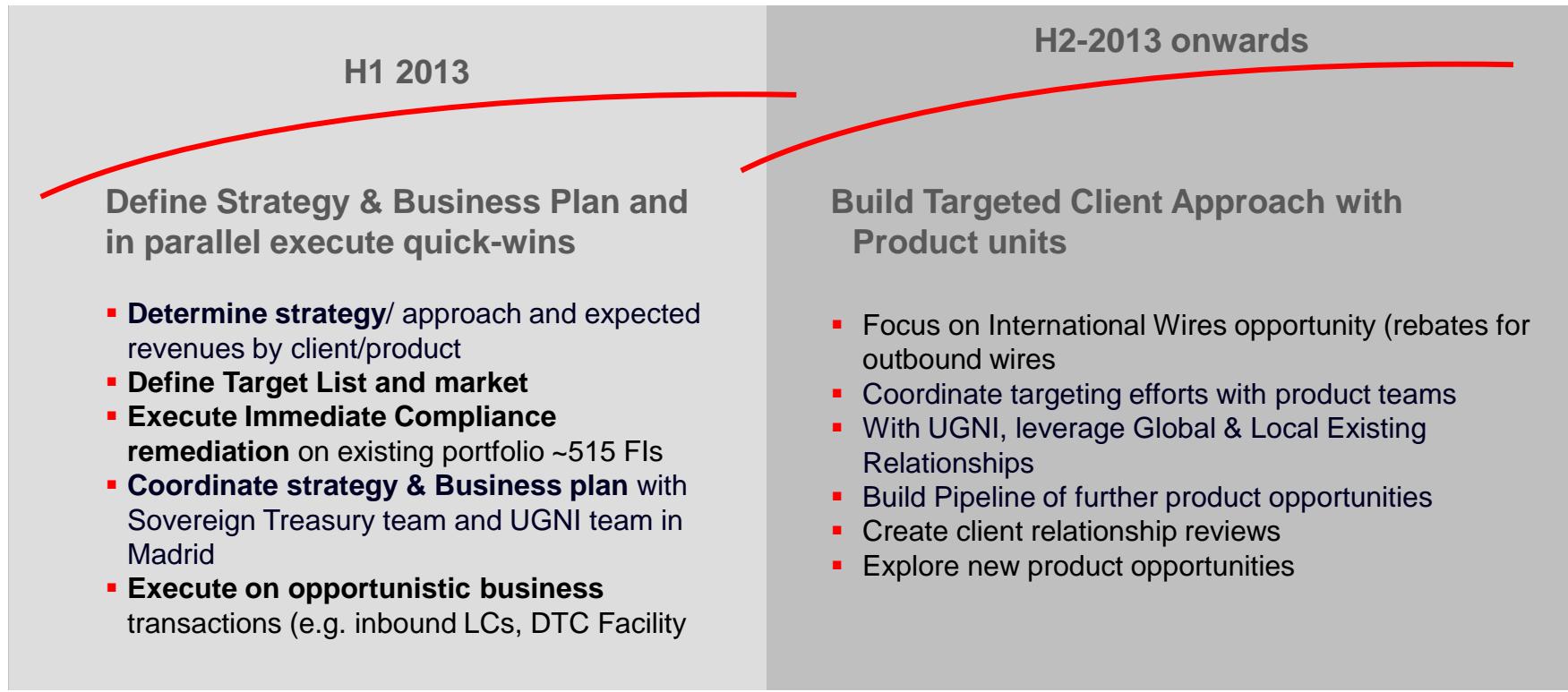
- Business-as-Usual
- Initiatives
- Consolidated Plan

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2013 Building the FI Unit

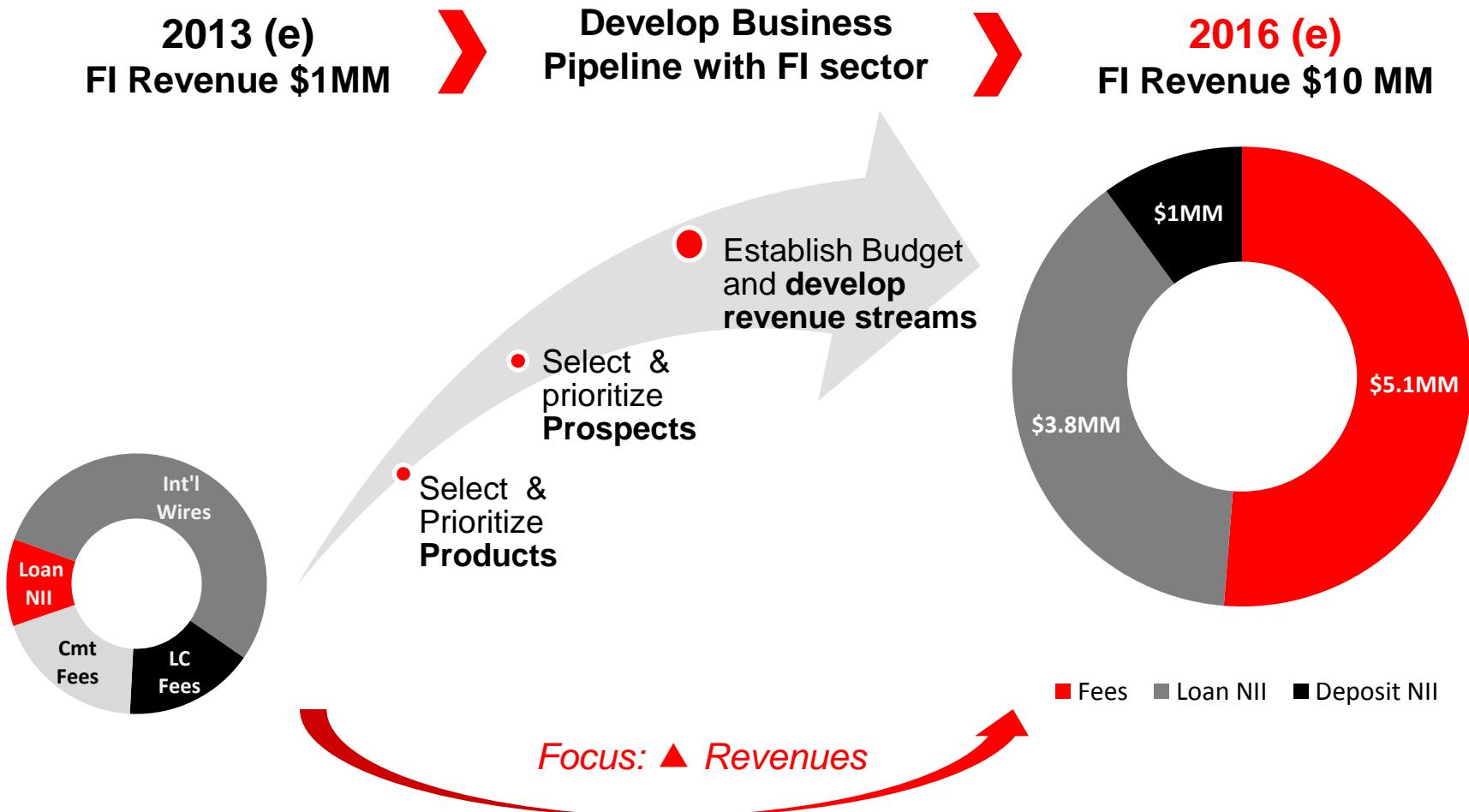
Initial work will be focused on executing quick wins and building the business case working across all stakeholder groups



Focus for 2013 is Building the Strategy and Executing Quick-Wins

Setting FI Revenue Aspiration

Future growth will depend product capabilities and credit appetite for FI Sector.



Strategic Initiatives: Future Product Opportunities

Guarantees & Funding

- **Letters of Credit:** Correspondent Banks, SAN affiliates, Domestic FIs
- **Revolvers:** Insurance Cos./ Asset Managers/ Specialty Funds
- **Subscription Fund Participations:** Ins. Cos./ Asset Managers
- **Trade Funding/ pre-export finance:** Correspondent Banks

Transfers

- **International wires**

Cash Mgt and Deposits

- **Interbank deposits for Treasury**
- **Segregated accounts for asset managers and ins. companies, Risk-mitigation deposits (Repo Sweep).**
- **Insurance cos: Collections lock-box for agent networks / claim payments.**

Markets & Rates

- **Securities trading**
- **Swaps, hedges**
- **FX trading**

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Initiatives to expand Financial Institutions



The Financial Institutions strategic plan focuses on three key areas which will help to establish Sovereign as a credible partner for both International and US FI's

1

Position Sovereign as a credible US platform for International FI's

- International Banks with Correspondent Banking relationships with Santander and global credit availability
- International Wires, Inbound SBLC's, Trade LC's, USD Clearing, Funded Trade Loans

2

Position Sovereign as the US gateway for Santander affiliates

- Leverage creation of UGNI to position Sovereign as US gateway for inbound business
- Funded Trade Loans, Cash Management, Deposits, Funding LC's, RCF's

3

Develop targeted business opportunities with domestic FI's, including banks, insurances companies and asset managers

- Cross-sell transactional & treasury products
- Opportunistic credit extensions
- Rates, Cash Management, Revolvers, LC

Position Sovereign as a credible US platform for International FI's

Why Develop Int'l FI Business?

- Growing demand from SOV clients with ventures in emerging economies
- Macro environment favorable for exposure to IFI names with good ratings
- SAN franchise is growing in emerging markets: Asia & Eastern Europe
- Growing client trade flows from emerging markets to US and LatAm
- UGNI global initiative: Coordination of reciprocity with non-MRG FI's

Target Market

- International banks and Insurance Companies with needs to issue LC's in the US
- Focus on FI's with approved global credit limits and in IG countries (800 + FI's)

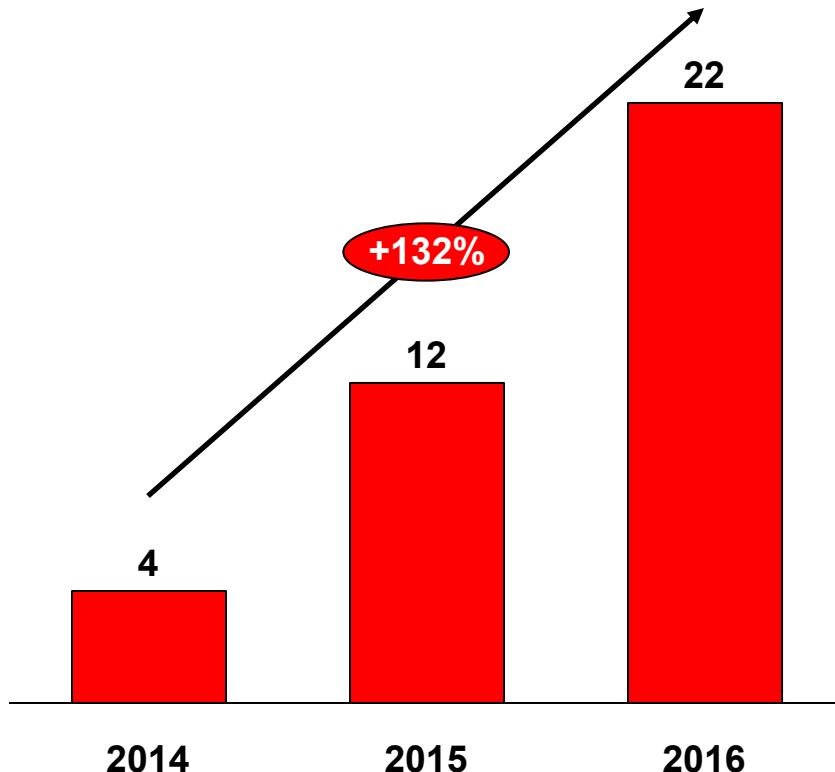
1

Position Sovereign as a credible US platform for International FI's



Incremental Loan Outstandings

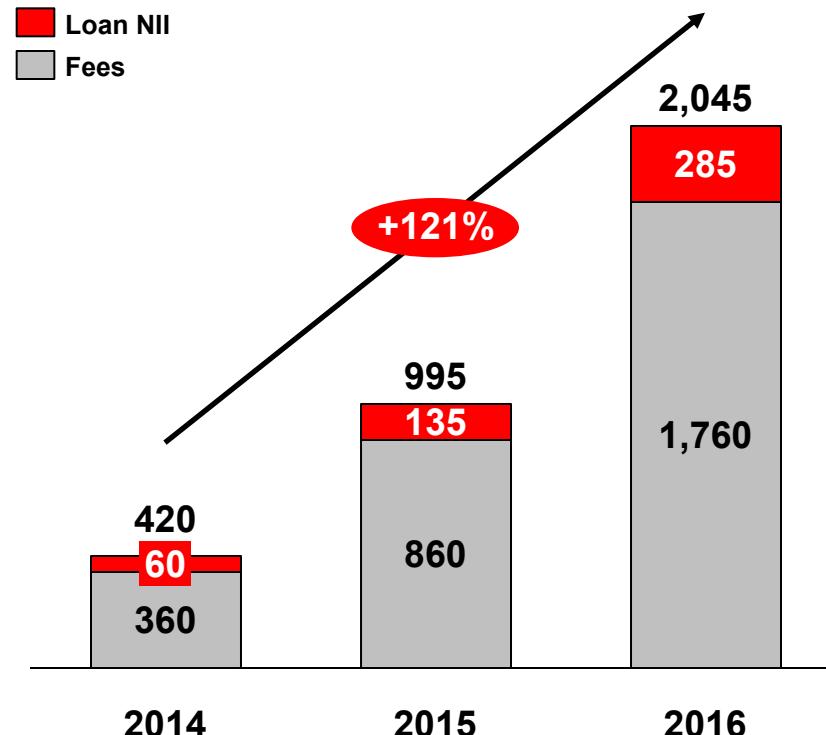
In \$MM's



Incremental Net Revenue

In \$Ms

■ Loan NII
■ Fees



Assumptions:

- O/S based on average balance of \$4MM in 2014, \$7,75MM in 2015 & \$10MM in 2016
- Revenue based on Loan NII and a spread of 1.50%, as well as LC fees

1

Position Sovereign as a credible US platform for International FI's



People

	Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
	2014	2015	2016					
FI / Trade	Relationship Manager	FI / Trade	1	1	0	0	\$400M	
TOTAL			1	1	0	0		
Other	FI	Bankers Almanac	Sales / IT				\$12M per year	

Possible Risks & Mitigants

- Need to streamline credit approval process for FI's supported trade-related transactions
- Need to expedite compliance / RMA approval process to onboard International FI's in Sovereign Bank- requires Bankers Almanac database

Position Sovereign as the US gateway for Santander affiliates



Why Develop SAN Affiliates Business?

- SAN affiliates around the globe are in need of LC's and other products in the US market
- Increase trade revenues by capturing Intragroup LC's to the US
- Quantify the wallet based on our affiliates' existing SBLC business with US beneficiaries (# of transactions, type of SBLC's, O/S, tenor and US correspondent banks pricing)

TWA: Collateral Requirements

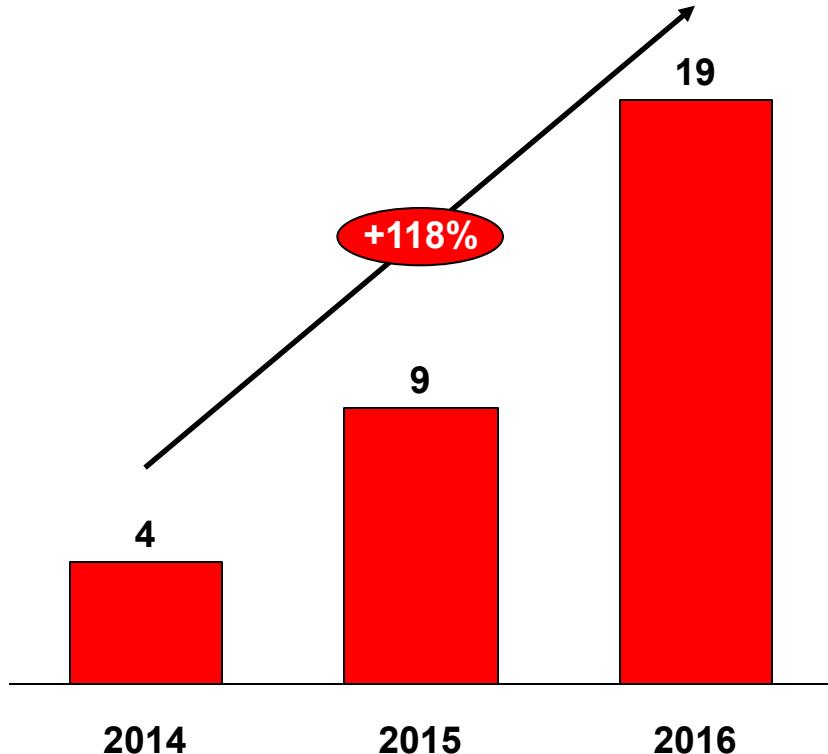
- Consumption of quantitative limits
- Define a permanent asset-pool collateral
- Collateral requirements:
 - Cash (100% SBLC value)
 - Other acceptable liquid assets (up to 130% of SBLC value)

Position Sovereign as the US gateway for Santander affiliates



Incremental Loan Outstandings

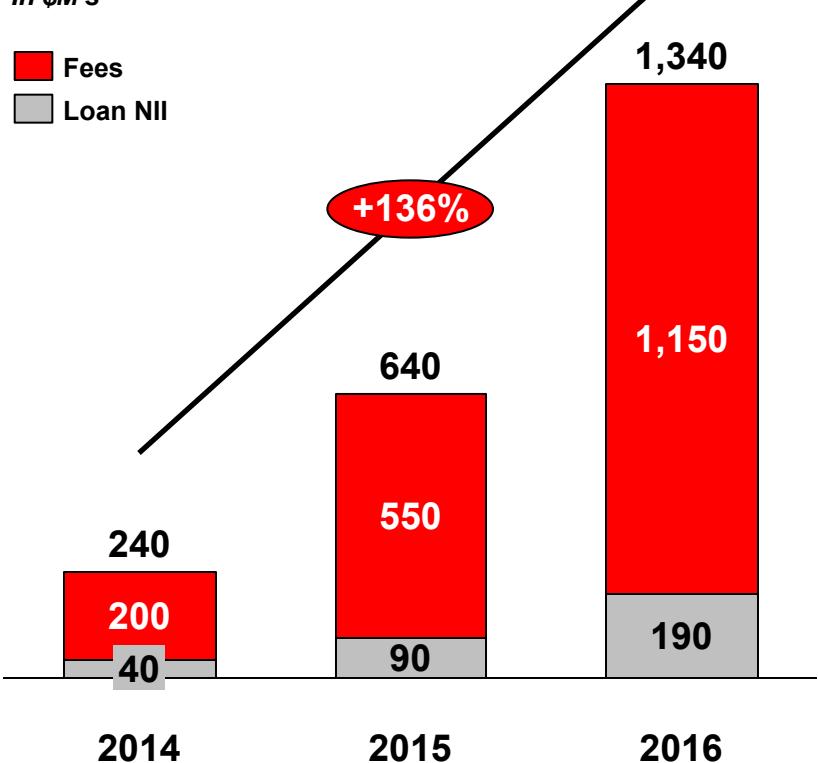
In \$MM's



Incremental Net Revenue

In \$M's

█ Fees
█ Loan NII



Assumptions:

- O/S based on average balance of \$4MM in 2014, \$5MM in 2015 & \$10MM in 2016
- Revenue based on Loan NII and a spread of 1.0%, as well as LC fees

Position Sovereign as the US gateway for Santander affiliates



Resources Needed

- No incremental HC needed, however, compliance policies need to be addressed in order to execute plan

Possible Risks & Mitigants

- We cannot confirm and / or discount commercial LC's issued by affiliates
- Review current restrictions imposed by FIU: We cannot be involved in an inbound SBLC unless the applicant or the beneficiary are existing customers of the Bank
- The lack of client angle affects equally affiliates and non-affiliates

Develop targeted business opportunities with domestic FI's



Why Develop Domestic FI Business?

- High cash levels in non-bank FI balance sheets are driving demand for safe, liquid deposit that provide good returns
- SOV's rating downgrade led to deposit flight and difficulties in attracting new corporate deposits
- Opportunity to invest in Term or Acquisition finance for Business Development Companies (BDC's)
- Building a deposit portfolio of \$500MM from FI's could generate annual revenues of \$1.25MM based in an FTP of 25 bppa
- **Depository risk mitigating accounts for FI's (Repo Sweep)**
 - Repo Sweep Account offers collateral to depositors through overnight repo of US Agency Securities with an 105% over-collateralization and daily access to liquidity

Target Market

- **Broker Dealers:** Need to keep client margin funds in third-party segregated accounts
- **Insurance Companies:** Need to keep cash reserves and liquid portions of Investment Portfolios with liquid accounts at banks
- **Clearers:** Need to keep client margin funds in third-party segregated accounts
- **Asset Managers:** Temporary needs to park cash for us in acquisitions

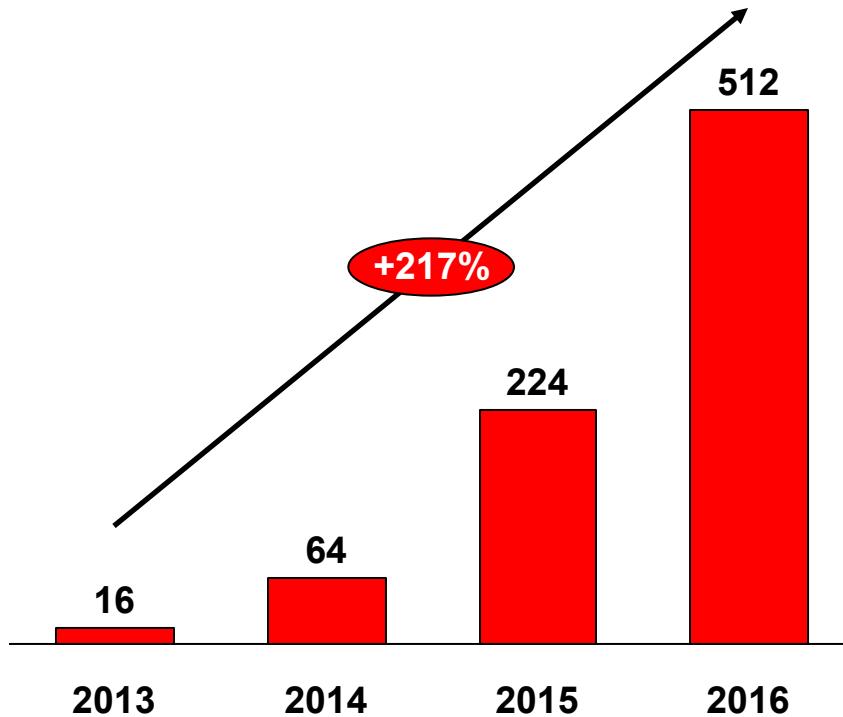
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Develop targeted business opportunities with domestic FI's



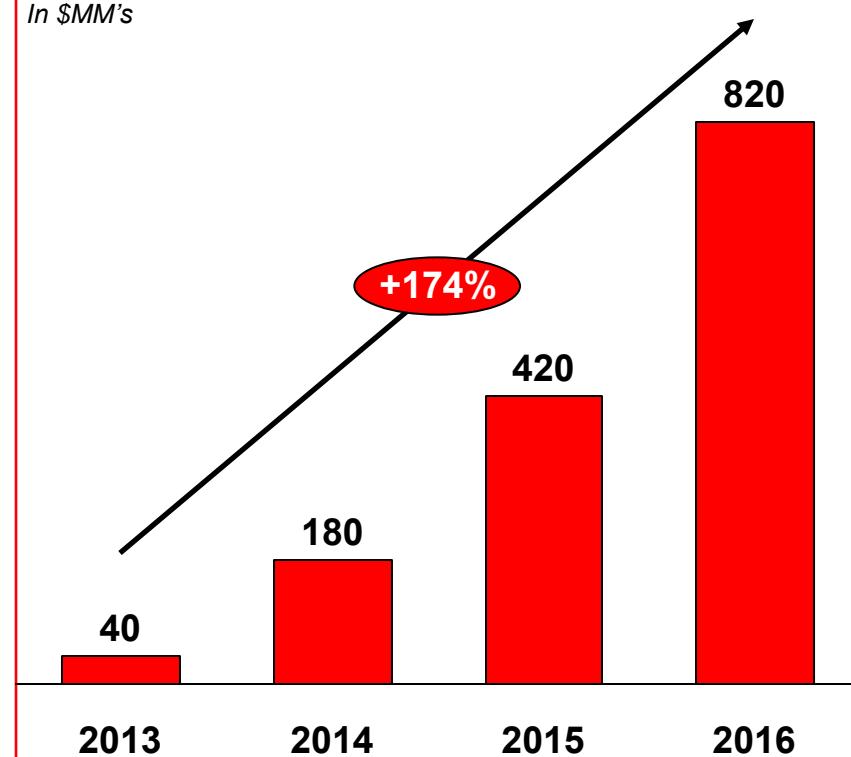
Incremental Loan Outstandings

In \$MM's



Incremental Deposits

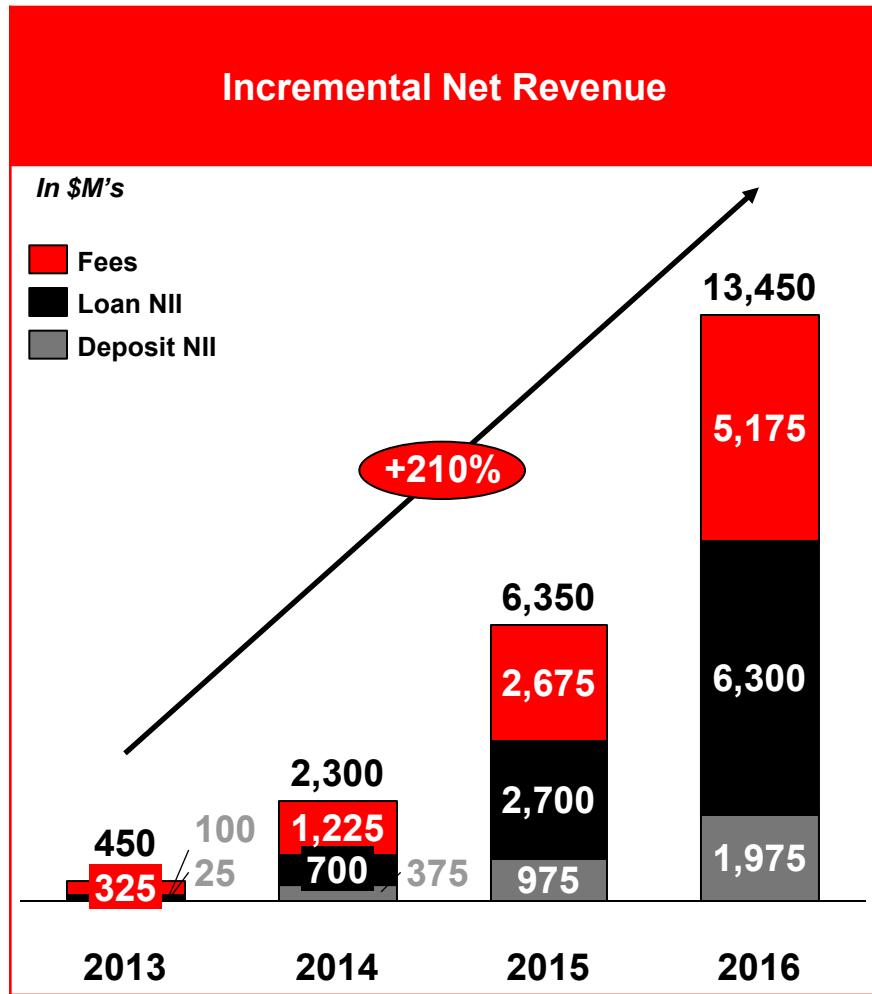
In \$MM's



Assumptions:

- O/S based on average balance of \$16MM in 2013, \$48MM in 2014, \$160MM in 2015 and \$288MM in 2016
- Deposits based on average balance of \$40MM in 2013, \$140MM in 2014, \$240MM in 2015 and \$400MM in 2016

Develop targeted business opportunities with domestic FI's



Assumptions:

- Loan NII based on 1.25% net spread, BDCs, Subc Funds and Broker Loans
- Deposit NII based on 0.25% net FTP

3

Develop targeted business opportunities with domestic FI's



People

	Division	Function	Area to Support	# of FTEs	Timeline for hiring			Estimated cost per HC per Year
					2014	2015	2016	
	Corporate Banking	Relationship Manager	FI / Trade	1	0	1	0	\$400M
TOTAL				1	0	1	0	

Possible Risks & Mitigants

- Term of Acquisition finance for BDC's risks are mitigated through the following channels:
 - Regulated by the SEC
 - Limitation on leverage (good structural protection for creditors)
 - Prohibition on certain affiliated transactions
 - Good track-record: No BDC defaults ever resulted in a loss to creditors
- Work closely with IFI's credit risk to approve credit lines in SOV for BDC's

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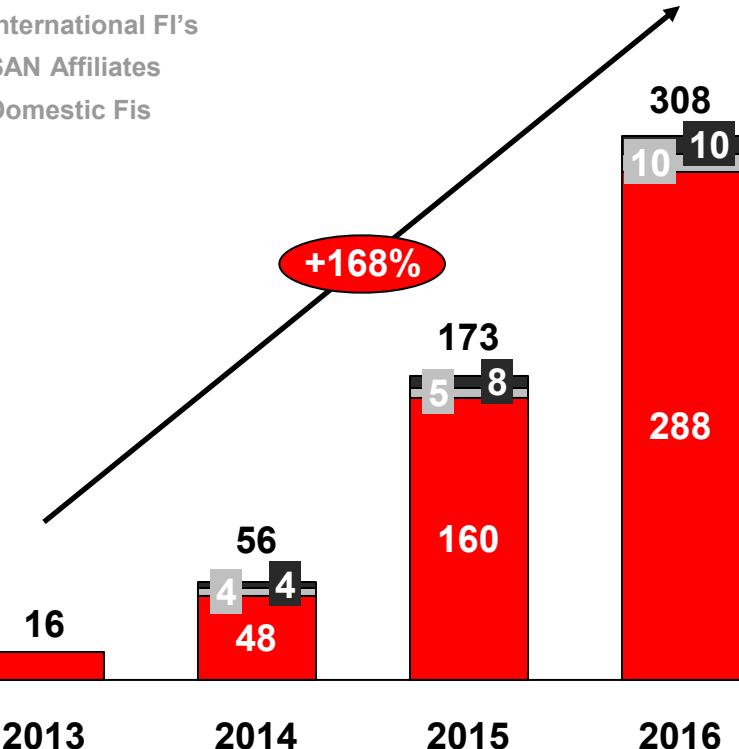
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FI 2016 Plan

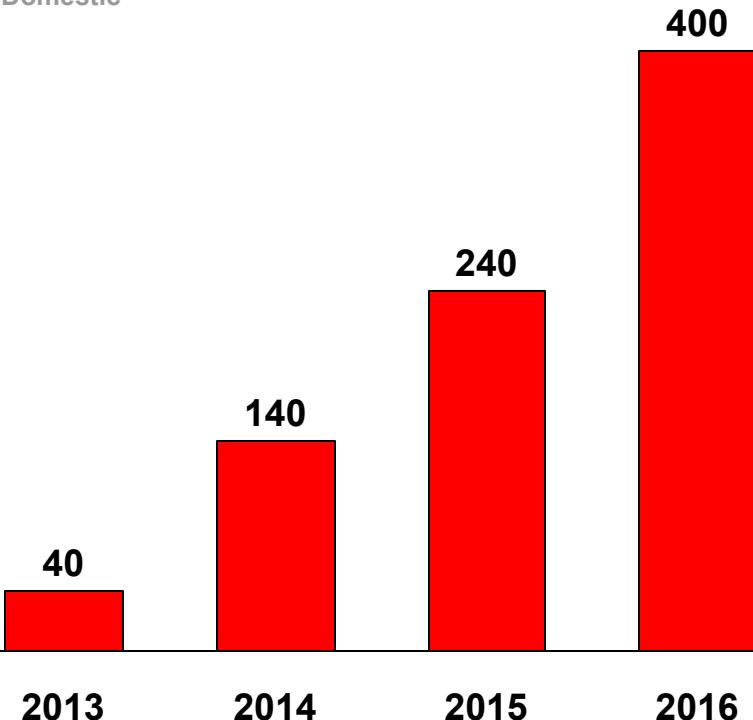
Loan Outstanding 2013-2016 (\$MM)

- International FI's
- SAN Affiliates
- Domestic Fis



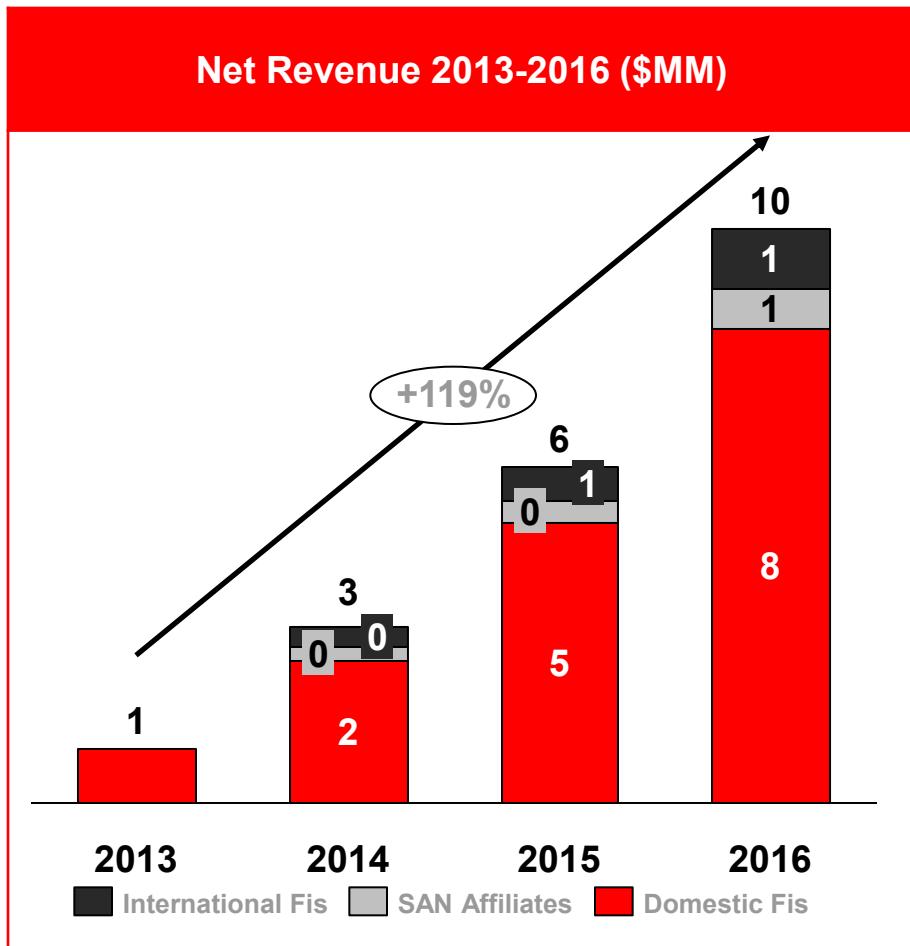
Deposit Balances 2013-2016 (\$MM)

- Domestic

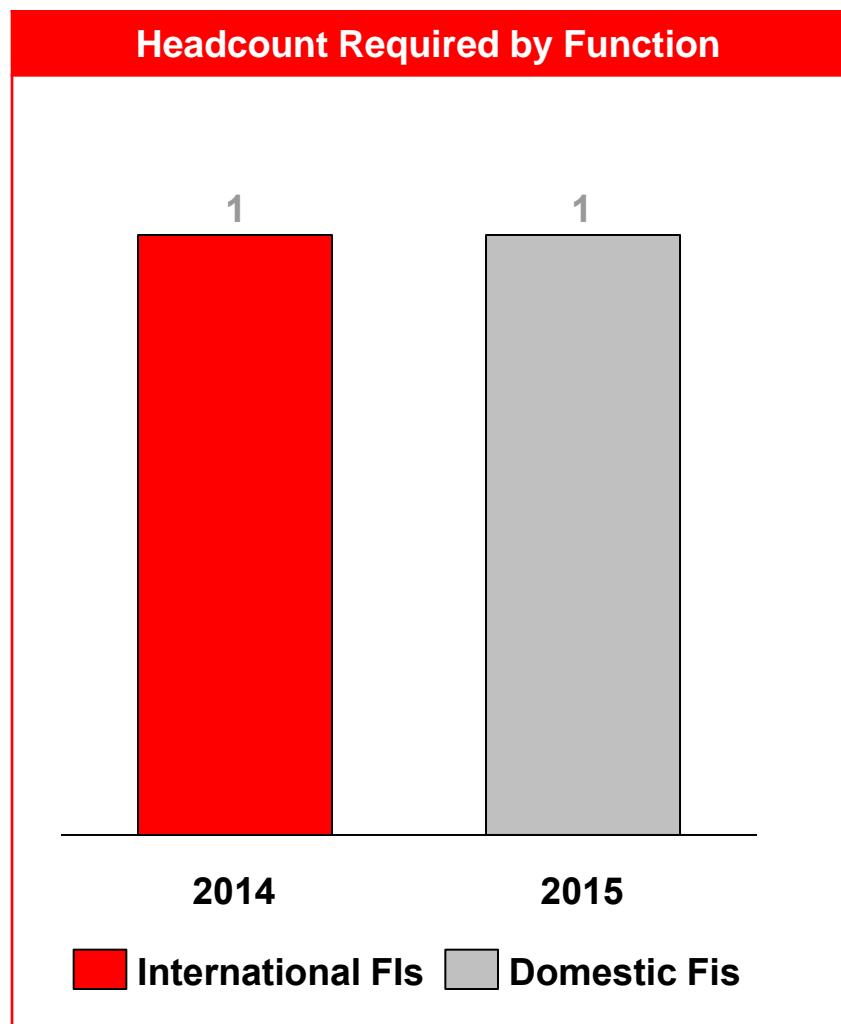
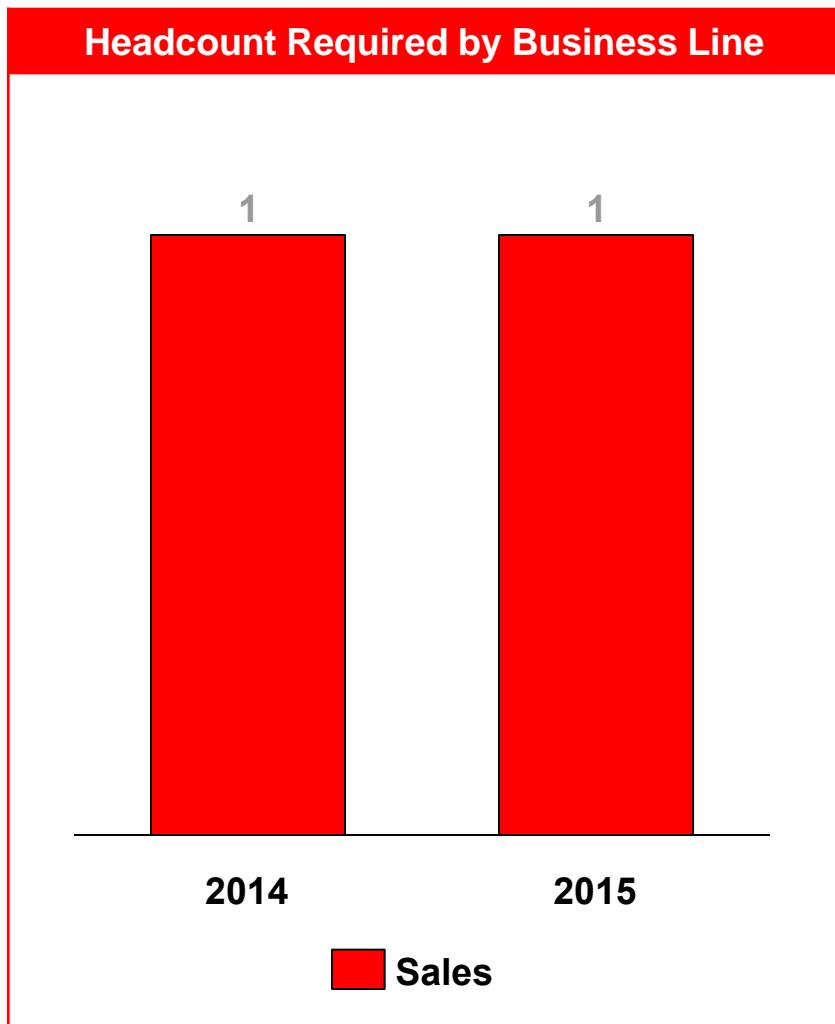


With initiatives the portfolio will double by 2016...

FI 2016 Plan



Strategic Plan – FTE Required



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Key Conclusions

- There is a significant opportunity to address compliance, regulatory and Credit Risks issues and leverage existing Group initiatives with FIs to develop revenue streams for Sovereign Bank
- Sovereign's new FI unit will seek to:
 - Develop relationships with non-GBM FIs in coordination with SOV product units and Madrid UGNI to support commercial client business needs.
 - Position Sovereign as a credible US correspondent for International FIs.
 - Position Sovereign as the US gateway for Santander affiliates.
 - Opportunistically engage in select credit extensions to non-GBM Banks, Insurance Cos. and Asset Managers.

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Private Equity

2016 Overview

Boston – June 2013

Private Equity: Overview

The Private Equity Sector is **important to the U.S. Corporate Banking growth strategy** and **would raise the profile of Santander Corporate Banking in the U.S. financial markets**

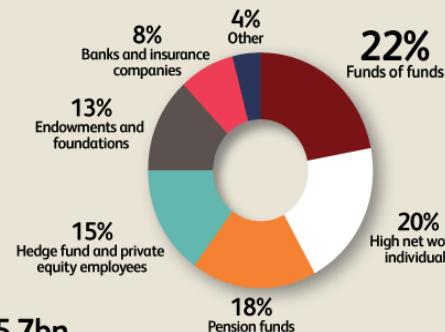
Private Equity Overview

- Financial Sponsor sector is a significant influence on the US economy, particularly in the mid market (Enterprise Values \$50MM - \$500MM).
- US Private Equity market size is \$75.7bn and \$23.5bn in profits with an annual revenue growth expectation of 3.5% over the next five years to about \$90bn
- Americas accounted for 70% of the PE transaction activity in 2011 and the US alone accounted for almost 60% of worldwide activity with over 6,000 transactions and close to \$700bn in deal volume
- Private Equity target businesses have typical middle market needs in addition to debt:

Needs of Private Equity Target Businesses

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Cash Management ▪ Deposits ▪ Merchant Services ▪ Trade Finance ▪ Supply Chain Finance | <ul style="list-style-type: none"> ▪ Asset Finance ▪ FX and Derivatives ▪ ECM ▪ International Payments ▪ Treasury Products |
|---|---|

Major market segmentation (2012)



SOURCE: WWW.IBISWORLD.COM

Sources:

Private Equity, Hedge Funds and Investment Vehicles in the US. IBISWorld Report.
Corporate & Structured Finance. SAN UK Corporate Banking Presentation.
Private Equity Market Analysis and Sizing 2012. BCG Report.

Private Equity: Strategic Rationale

Benefits of Private Equity Business

- ✓ Retains existing clients who move through the ownership cycle
- ✓ Aids the business development and market share by attracting new customers, many of them turning into multi-product relationships
- ✓ Cross sells banking products
- ✓ Strengthens relationships with Private Equity firms who can be target clients themselves (Deposits /Treasury)
- ✓ Deploys capital to achieve strong cash returns / gross yields while maintaining an acceptable return on RWA
- ✓ Attracts and retains talented and technically skilled people

Private Equity would raise the profile of Santander Corporate Banking and add another important and selective niche to our Specialty business