



# Santander US 2016

## P-16 GBM US

Boston, June 18<sup>th</sup> 2013

# Starting point and Strategic view

## Starting Point (Challenges & Opportunities)

### CHALLENGES

- Limited product offering
- One-obligor and concentration limits at SOV
- SOV and SAN ratings
- Recent market trends (high liquidity, tighter spreads, low volatility)

### OPPORTUNITIES

- Further client on-boarding and penetration (MRG)
- Launching of Large Corps
- Expanded product offering (DCM, Confirming, Markets, A&CS, Advisory)

## Strategic View (Growth drivers)

### In 2014

- MRG growing at slower pace through existing product suite plus some additions (eg Advisory, Tax Equity Partnerships, Markets)
- Large Corps growing over 25% as client strategy is implemented

### In 2015-16:

- MRG resuming growth at faster pace as new product capabilities kick in (DCM, Confirming, Mkts, etc)
- Large Corps sustaining growth at 25%

# Agenda

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## **Market Environment & Competitive Landscape**

**Business Unit Background**

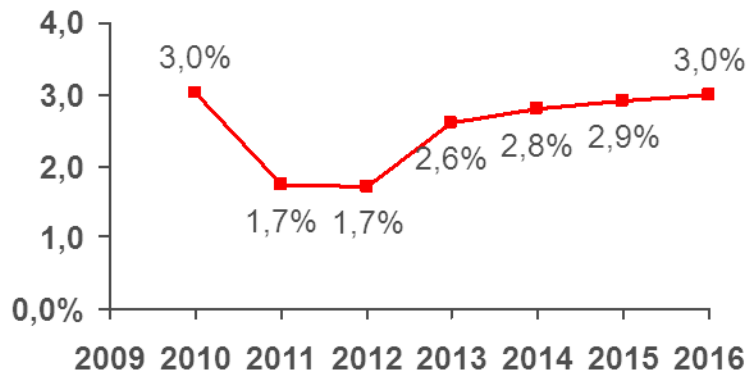
**Business Plan 2014-2016**

**Key Conclusions**

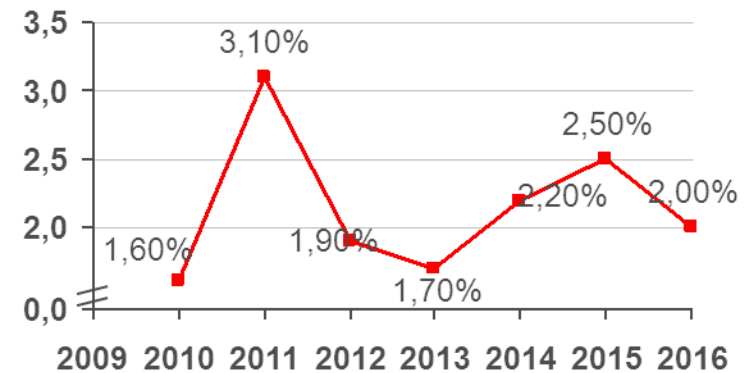
**Appendix**

# P-16 Macroeconomic outlook

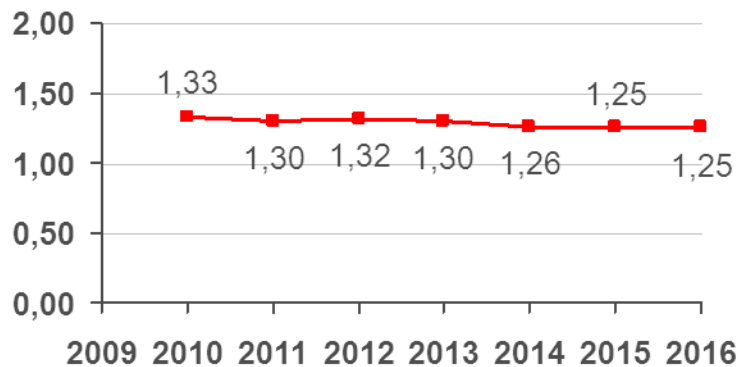
## GDP (%)



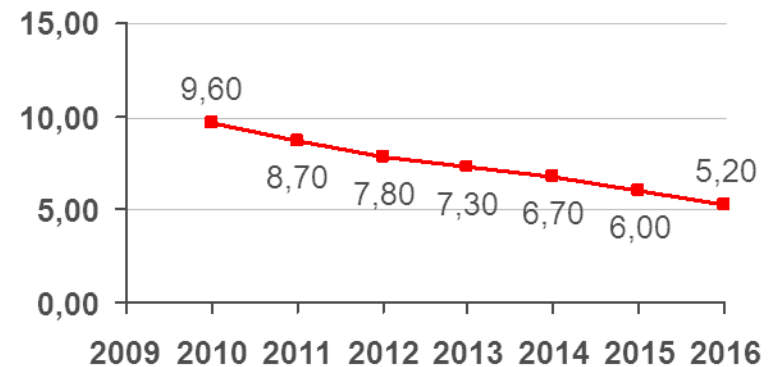
## Consumer Price Index (%)



## Exchange rate (EUR/USD)



## Unemployment rate (%)



# SAN Market potential - MRG

SAN Opportunity		Energy	TMT	Industrial	Consumer
Areas of focus					
GTB	Cash Mgmt.	Low	Low	Low	Low
	Loans	Low	Low	Low	Low
	Trade	High	High	High	High
Credit	PF	High	Low	Low	Low
	Syndicate / AF	High	Moderate	High	High
	DCM / ABS	Moderate	Moderate	Moderate	Moderate
	ACS	High	Low	Low	Low
Markets	IRS	High	High	Moderate	Moderate
	FX	Low	Low	Moderate	High
	Deposits	Low	High	Moderate	Moderate
	Equity	Moderate	Low	Low	Moderate

# SAN Market potential - Large Corps

SAN Opportunity		Transportation	Industrial	Consumer	Pharma / HC
Areas of focus					
GTB	Cash Mgmt.	Low	Low	Moderate	Moderate
	Loans	High	Moderate	Moderate	Moderate
	Trade	High	High	High	High
Credit	PF	Low	Low	Low	Low
	Syndicate / AF	Moderate	Moderate	Moderate	Moderate
	DCM / ABS	Moderate	Moderate	Moderate	Moderate
	ACS	Low	Low	Low	Low
Markets	IRS	High	High	Moderate	Moderate
	FX	Low	Low	Moderate	High
	Deposits	Low	High	Moderate	Moderate
	Equity	Low	Low	Low	Moderate

# Agenda

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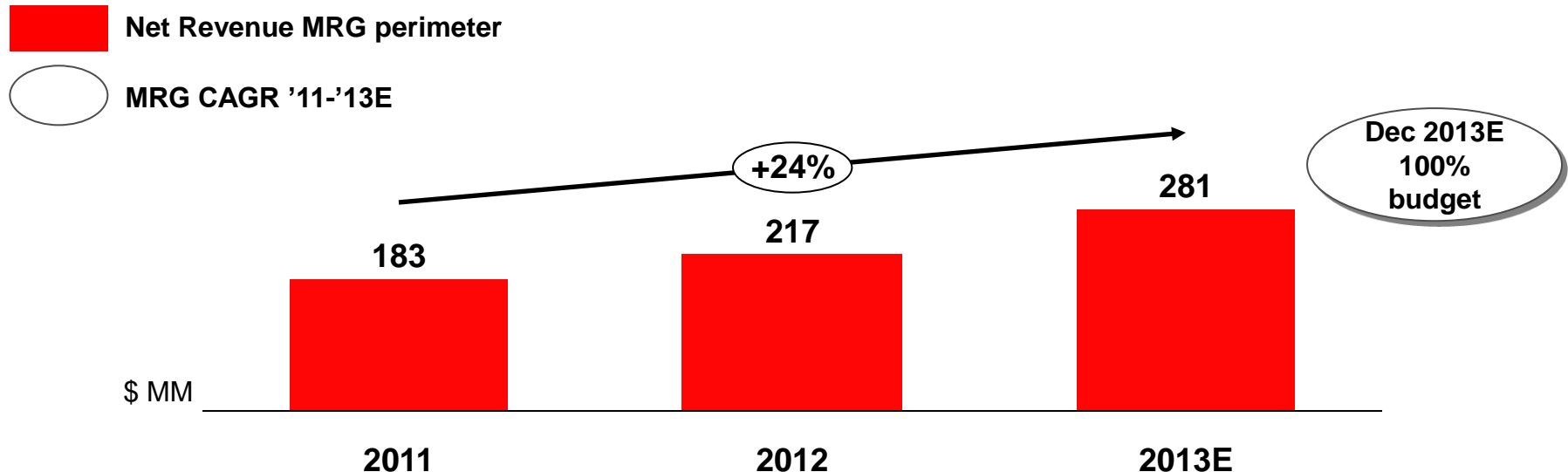
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**Appendix**

# History – GBM MRG



## Background

- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"> <li>▪ GBM US management perimeter consolidated under SOV....</li> <li>▪ ...but still a significant part of the business booked in the NY Branch</li> </ul> | <ul style="list-style-type: none"> <li>▪ Change of SOV's charter allowed the transfer of GBM activity to SOV vehicle</li> <li>▪ GBM Team consolidated at SOV</li> <li>▪ Expansion of SOV's product portfolio</li> </ul> | <ul style="list-style-type: none"> <li>▪ Increased penetration and X-Sell with existing MRG clients</li> <li>▪ Large Corps clients transferred to GBM on April</li> <li>▪ Further product suite expansion</li> </ul> |
|---|---|--|

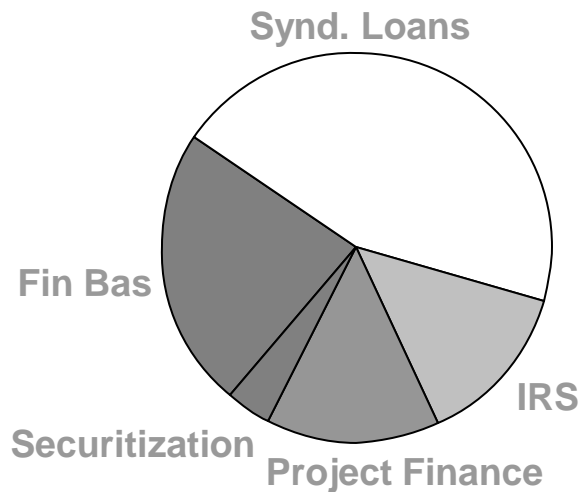
## FO Team

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>▪ 25 FTEs at SOV</li> <li>▪ 40 FTEs NY Branch</li> </ul> | <ul style="list-style-type: none"> <li>▪ 75 FTEs at SOV</li> </ul> | <ul style="list-style-type: none"> <li>▪ 96 FTEs at SOV</li> </ul> |
|---|--|--|



# GBM US product mix evolution

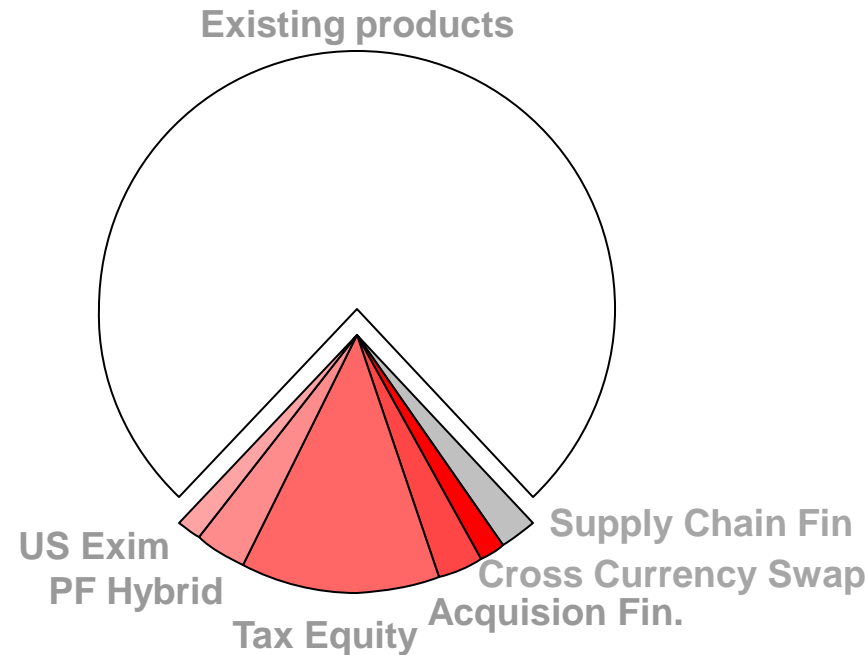
Main products available at SOV 2011



Change of Charter  
+ Teams

Revenue x2  
(SOV US GAAP)

Main products available at SOV 2012

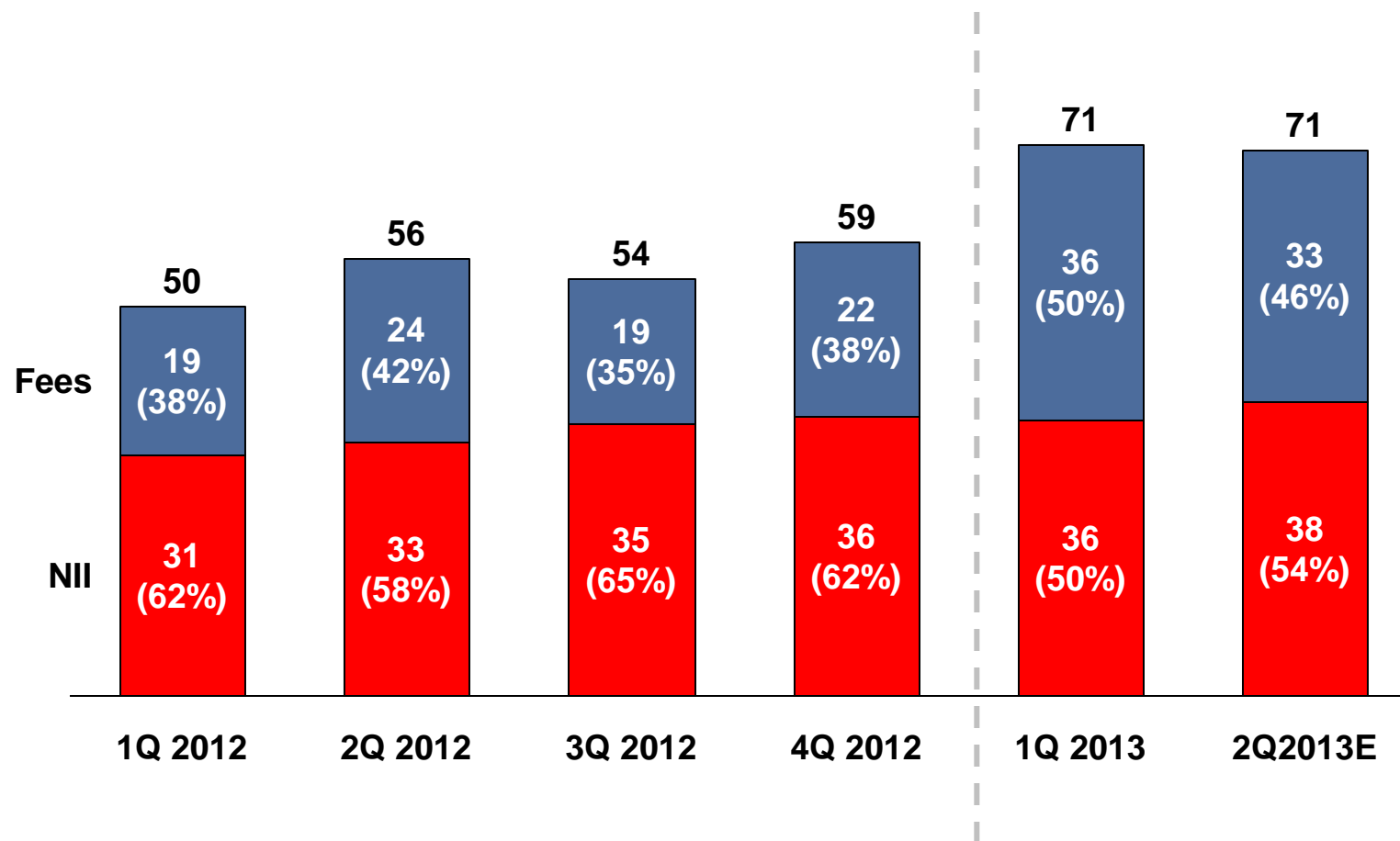


Strict control  
and risk  
environment

- ✓ New product approval
- ✓ Risk
- ✓ SOV Board & OCC

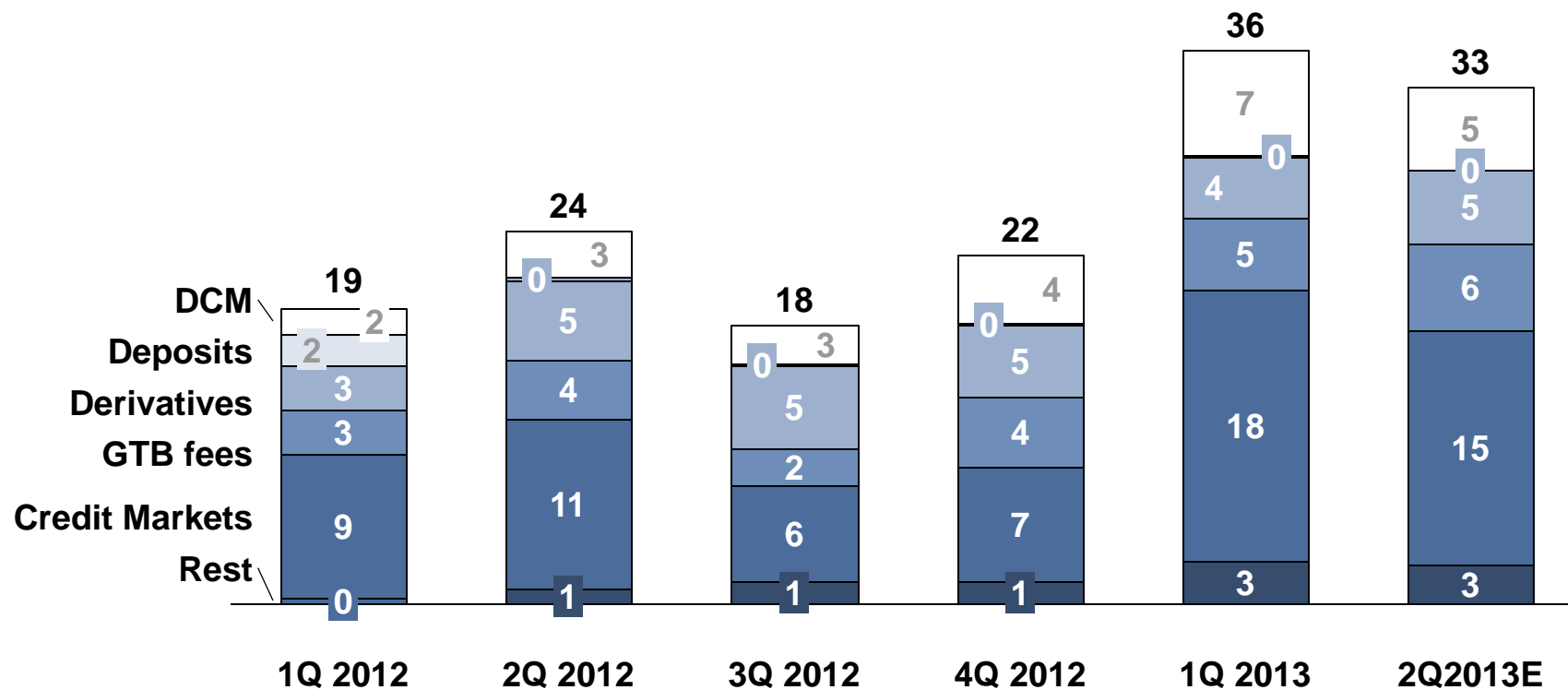
# GBM MRG revenue quarterly evolution

\$ MM

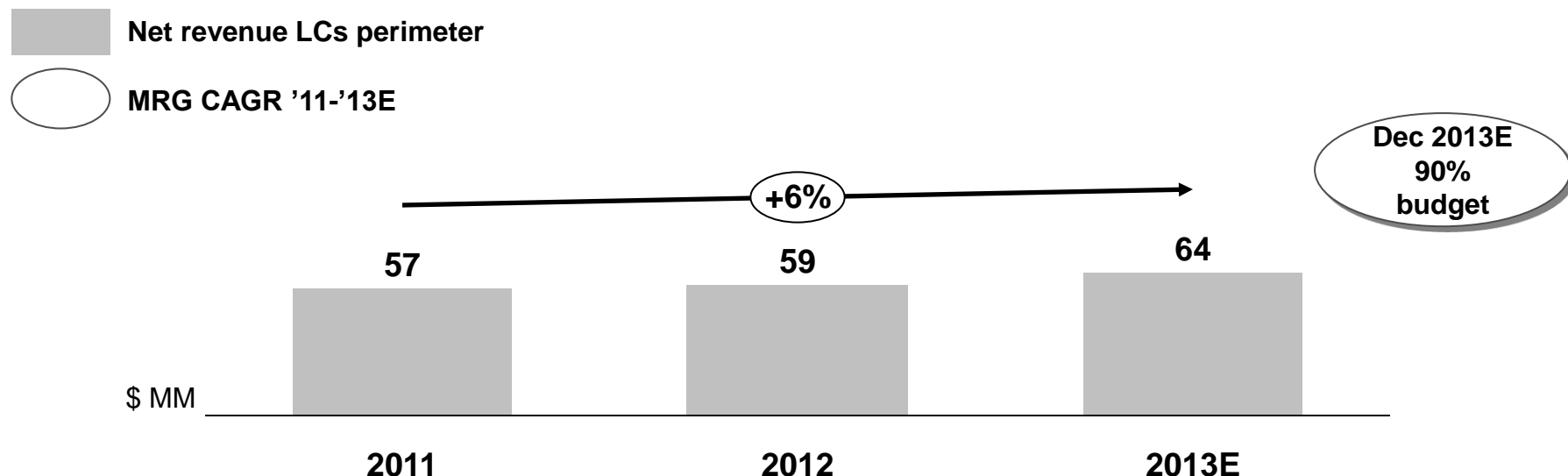


# GBM MRG revenue quarterly evolution – Fees detail

\$ MM



# History – Large Corporates



## Background

- New Large Corporate Group formed within Corporate Banking
- Portfolio of approx. 125 names combined transfers from MM, non-core and workout portfolios. Approx. 60 “core” clients

- Focus on Balance Sheet growth
- Select industry concentrations
- Fees approx. 25% of total net revenues

- Large Corps clients transferred to GBM on April
- Target client profile revisited
- New segmentation around industries in place

## FO Team

- 15 FTEs

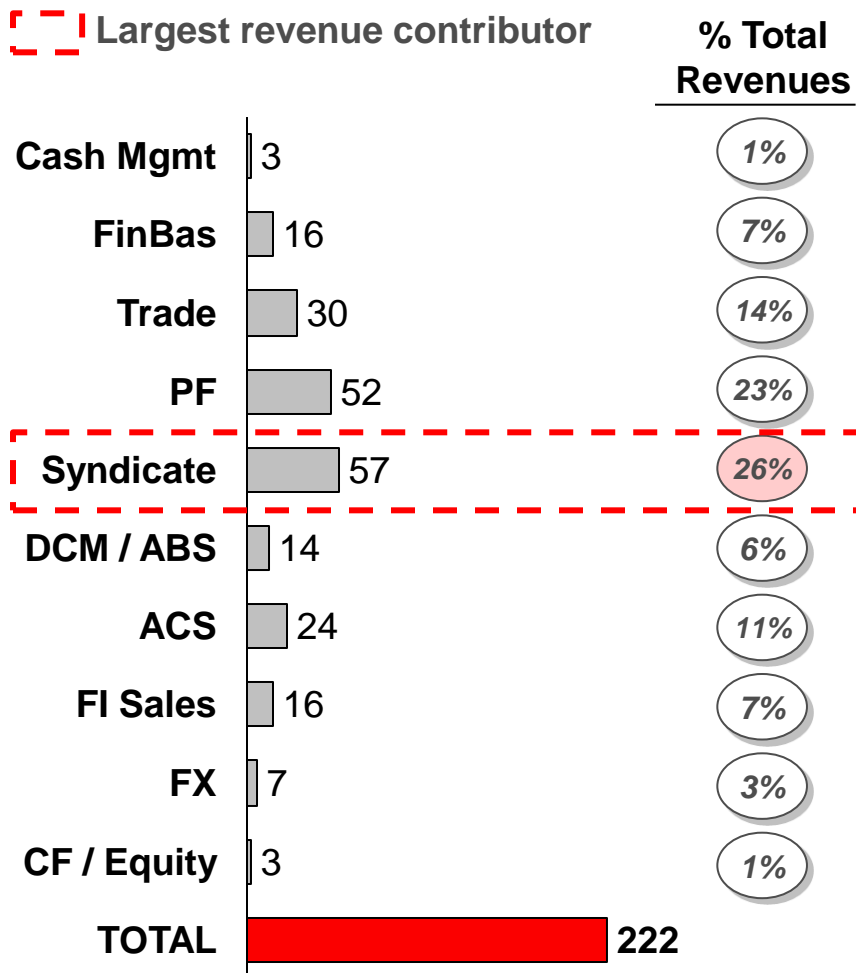
- 21 FTEs

- 22 FTEs

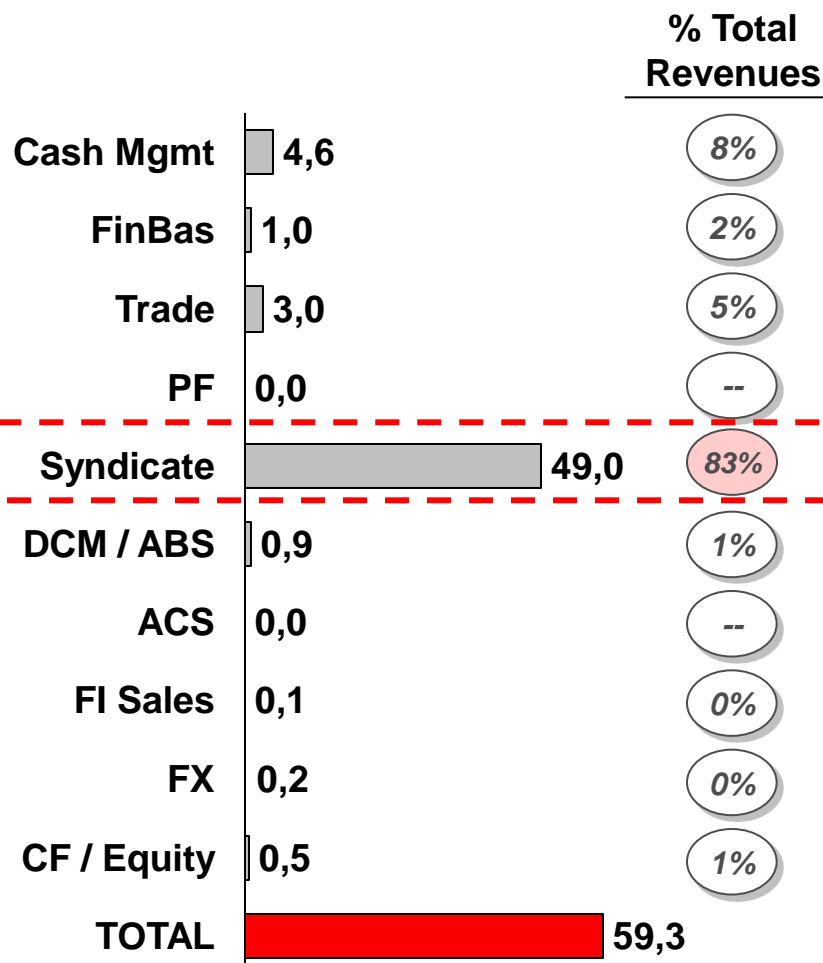
# 2012 revenue split – Large Corps vs MRG

\$ MM

## MRG



## Large Corps

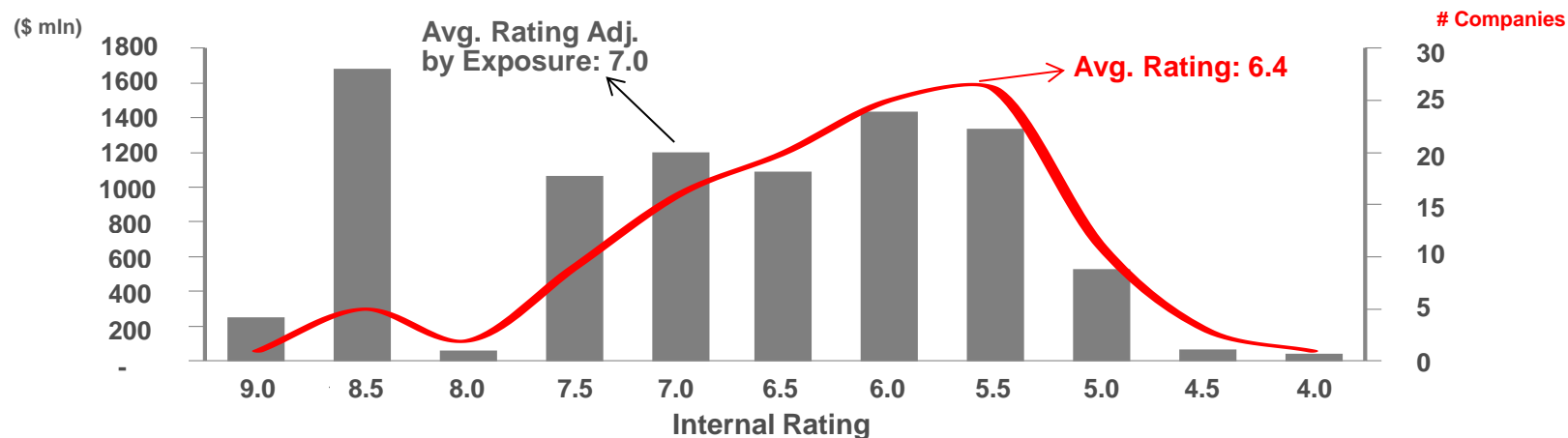


# GBM US Business going forward

		MRG US Corps	Large Corps
Target client profile	Size	\$ 2+ Bn	> \$500 MM
	Rating	BBB+ / AAA	BB / BBB+
	Rev / client	\$ 3.0 MM	\$ 1.0 MM
	X-Sell	3+products	3+ products
	Key sectors	Energy / TMT / Industrial / Consumer	Transportation / Industrial / Consumer / Pharma-Healthcare
Current Metrics	# clients	145	134
	Total exposure	\$ 15.0 Bn	\$ 5.1 MM

# GBM MRG: Risk profile

## Exposure and number of companies by Rating

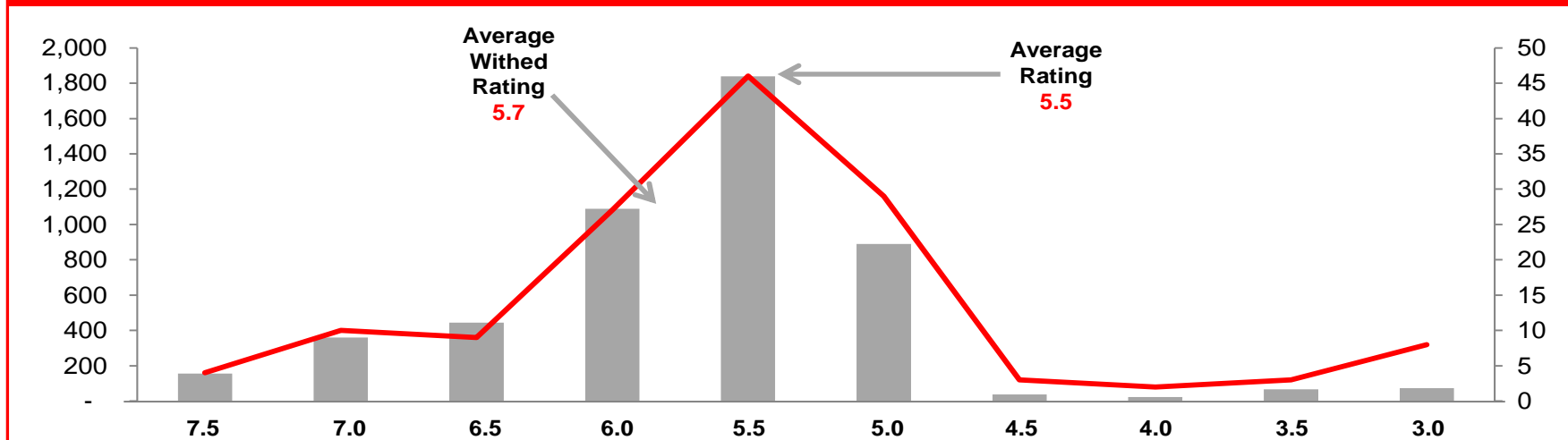


Relevant  
clients



# Large Corps: Risk profile

Exposure and number of companies by Rating



Transportation



TRITON

Industrial



Consumer



Pharma / Health



Relevant clients



# Agenda

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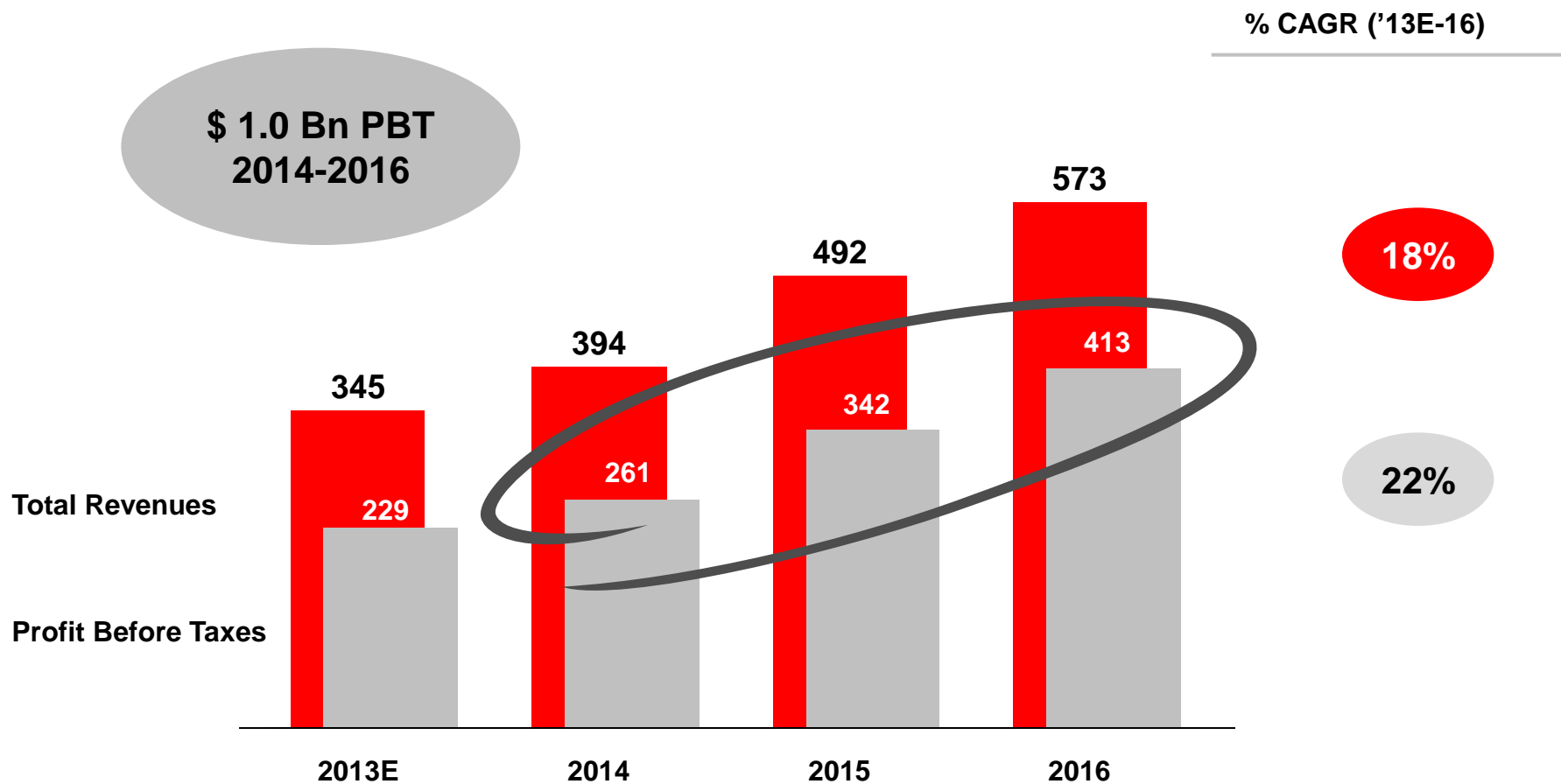
**Business Plan 2014-2016**

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**Appendix**

# GBM US 2013E-2016 - Summary

\$ MM



# Balance Sheet evolution (MRG + Large Corps)

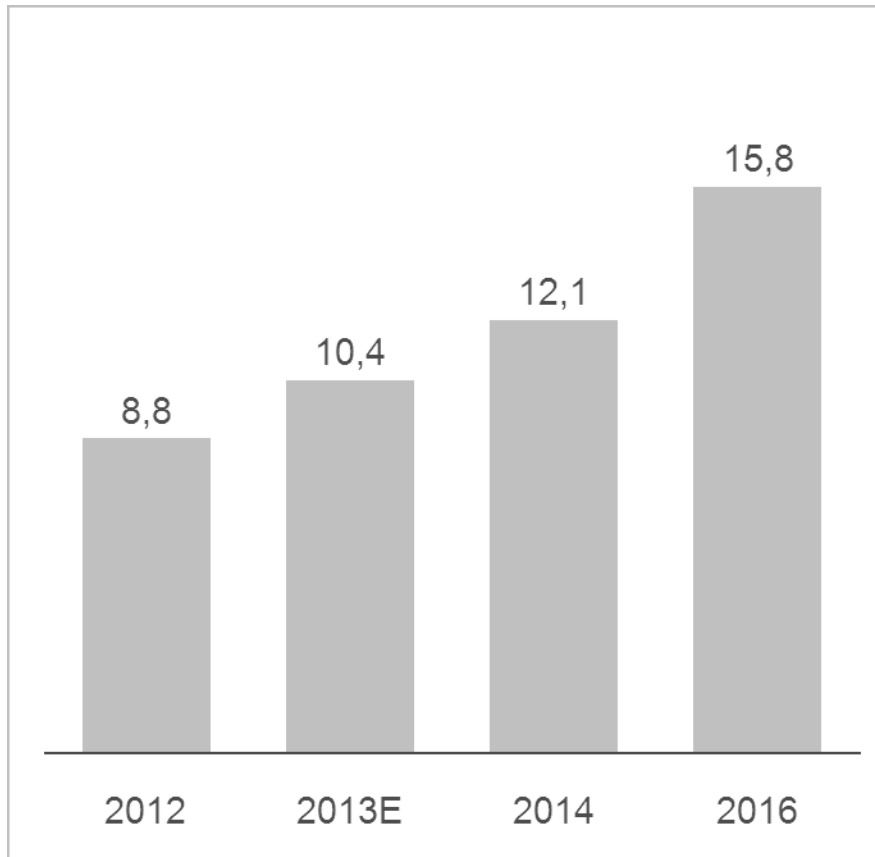
\$ MM

	2013E	2014	2015	2016	CAGR '13E-'14	CAGR '13E-'16
<b>M. Ordinario Clientes</b>	<b>345</b>	<b>394</b>	<b>492</b>	<b>573</b>	<b>14%</b>	<b>18%</b>
Costes	-79	-93	-107	-116	17%	14%
<b>M. Explotación Clientes</b>	<b>265</b>	<b>302</b>	<b>385</b>	<b>457</b>	<b>14%</b>	<b>20%</b>
Provisiones y Otros	-37	-41	-43	-44	11%	6%
<b>BAI Clientes</b>	<b>229</b>	<b>261</b>	<b>342</b>	<b>413</b>	<b>14%</b>	<b>22%</b>
M.O. No Clientes	-2	-3	-5	-6	40%	47%
<b>Margen Ordinario Total</b>	<b>342</b>	<b>392</b>	<b>487</b>	<b>566</b>	<b>14%</b>	<b>18%</b>
<b>M. Explotación Total</b>	<b>263</b>	<b>299</b>	<b>380</b>	<b>450</b>	<b>13%</b>	<b>20%</b>
<b>BAI Total</b>	<b>227</b>	<b>258</b>	<b>337</b>	<b>406</b>	<b>14%</b>	<b>21%</b>
<b>Beneficio Neto</b>	<b>159</b>	<b>181</b>	<b>236</b>	<b>284</b>	<b>14%</b>	<b>21%</b>
<b>Eficiencia</b>	<b>23%</b>	<b>24%</b>	<b>22%</b>	<b>21%</b>		
<b>Mandíbulas</b>	<b>6%</b>	<b>-3%</b>	<b>10%</b>	<b>8%</b>		
<b>Headcount</b>	<b>122</b>	<b>153</b>	<b>171</b>	<b>184</b>		

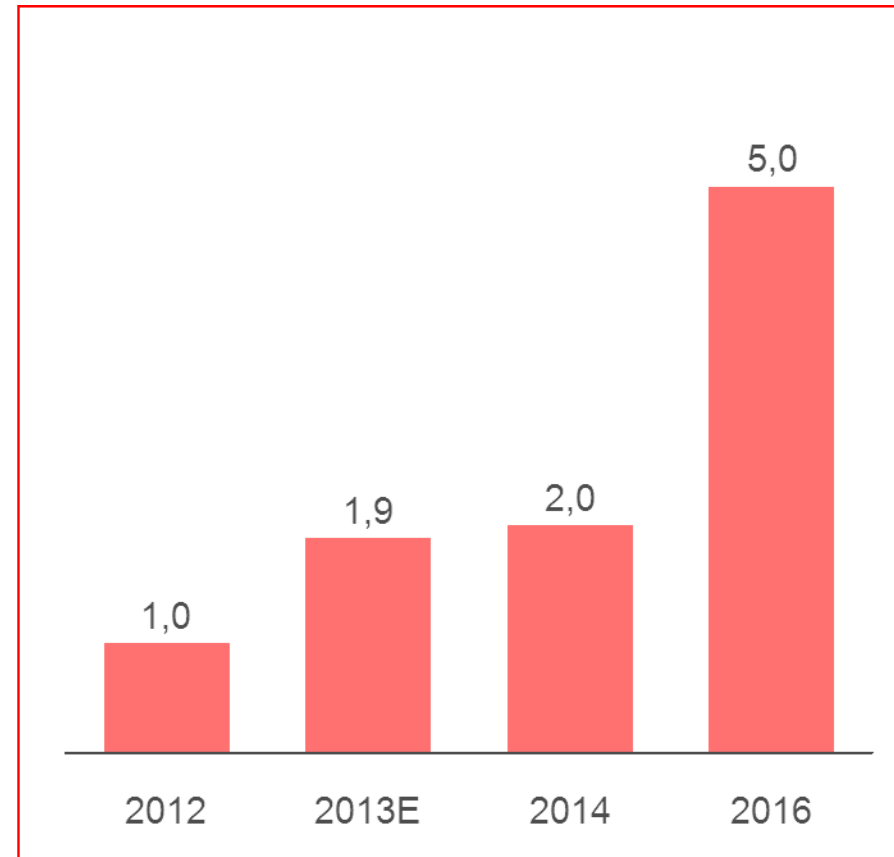
# Balance Sheet evolution (MRG + Large Corps)

End of the period balance, \$ Bn

**Funded Assets**



**Deposits**

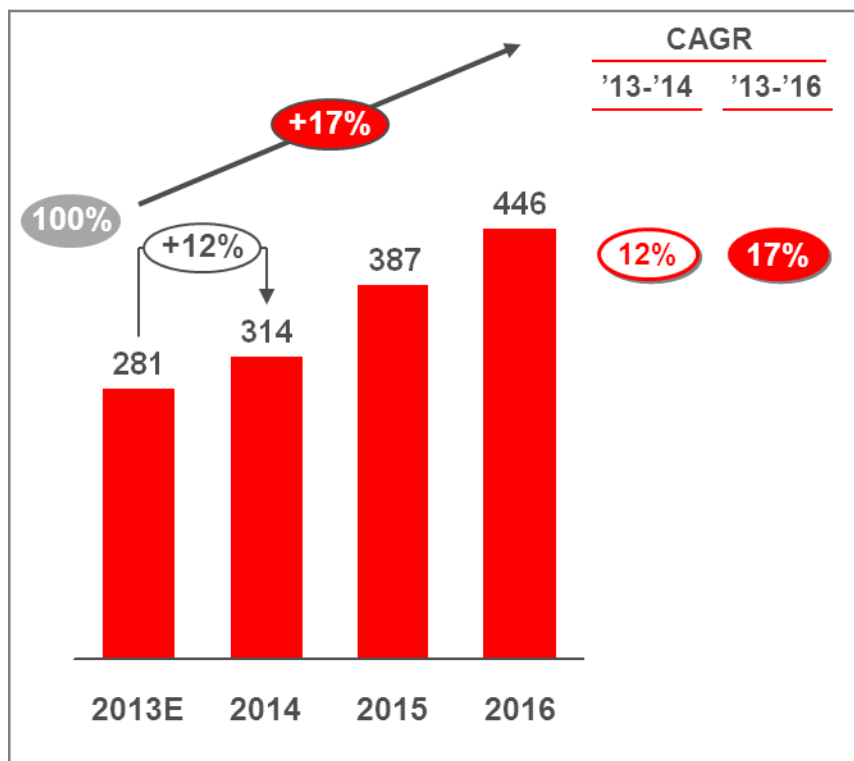


# Revenues by client segment (MRG)

Revenue, \$ MM

% 2013 Budget Achievement

## Total Revenue



	2013E	2014	2015	2016	CAGR '13E-'14	CAGR '13E-'16
<b>Client revenue</b>	<b>281</b>	<b>314</b>	<b>387</b>	<b>446</b>	<b>12%</b>	<b>17%</b>
Corporates	263	292	361	415	11%	16%
Financial Sponsors	18	22	26	31	22%	20%
<b>MRG (US+Inbound)</b>	<b>240</b>	<b>269</b>	<b>329</b>	<b>381</b>	<b>12%</b>	<b>17%</b>
<b>Non-GBM</b>	<b>15</b>	<b>20</b>	<b>29</b>	<b>37</b>	<b>33%</b>	<b>35%</b>
<b>Rest</b>	<b>26</b>	<b>25</b>	<b>29</b>	<b>28</b>	<b>0%</b>	<b>3%</b>

# Revenue evolution (MRG)

Revenue, \$ MM

	2013E	2014	2015	2016	CAGR '13E-'14	CAGR '13E-'16	
<b>M.O. Clientes</b>	<b>281</b>	<b>314</b>	<b>387</b>	<b>446</b>	<b>12%</b>	<b>17%</b>	
<b>GTB</b>	60	68	82	99	12%	18%	▶
<b>Credit</b>	195	217	266	294	11%	15%	▶
<b>Rates</b>	25	28	36	48	14%	25%	▶
<b>Corporate Finance</b>	3	5	6	8	71%	43%	▶
<b>Equity</b>	0	1	1	1	67%	49%	

# Revenue evolution (MRG)

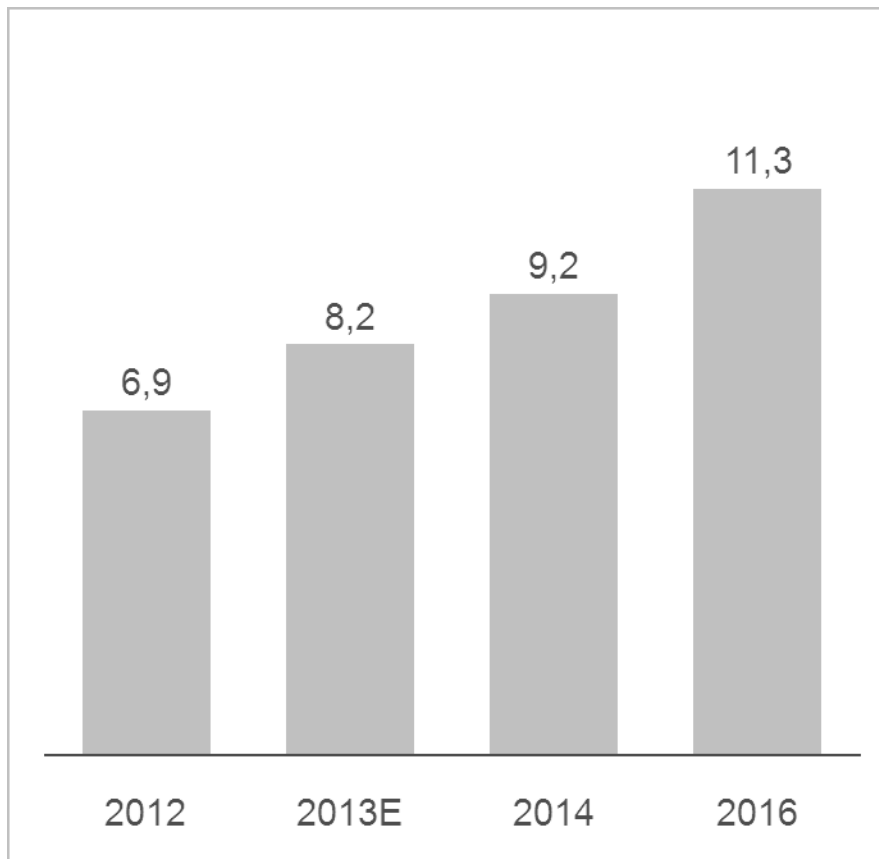
\$ MM

	2013E	2014	2015	2016	CAGR '13E-'14	CAGR '13E-'16
<b>M. Ordinario Clientes</b>	<b>281</b>	<b>314</b>	<b>387</b>	<b>446</b>	<b>12%</b>	<b>17%</b>
Costes	-64	-72	-80	-87	12%	11%
<b>M. Explotación Clientes</b>	<b>217</b>	<b>243</b>	<b>307</b>	<b>359</b>	<b>12%</b>	<b>18%</b>
Provisiones y Otros	-31	-32	-34	-36	3%	5%
<b>BAI Clientes</b>	<b>185</b>	<b>211</b>	<b>272</b>	<b>322</b>	<b>14%</b>	<b>20%</b>
M.O. No Clientes	-1	-1	-2	-2	0%	43%
<b>Margen Ordinario Total</b>	<b>280</b>	<b>314</b>	<b>385</b>	<b>443</b>	<b>12%</b>	<b>17%</b>
<b>M. Explotación Total</b>	<b>216</b>	<b>242</b>	<b>305</b>	<b>356</b>	<b>12%</b>	<b>18%</b>
<b>BAI Total</b>	<b>185</b>	<b>210</b>	<b>271</b>	<b>320</b>	<b>14%</b>	<b>20%</b>
<b>Beneficio Neto</b>	<b>129</b>	<b>147</b>	<b>189</b>	<b>224</b>	<b>14%</b>	<b>20%</b>
<b>Eficiencia</b>	<b>23%</b>	<b>23%</b>	<b>21%</b>	<b>20%</b>		
<b>Mandíbulas</b>	<b>7%</b>	<b>0%</b>	<b>11%</b>	<b>7%</b>		
<b>Headcount</b>	<b>97</b>	<b>112</b>	<b>125</b>	<b>135</b>		

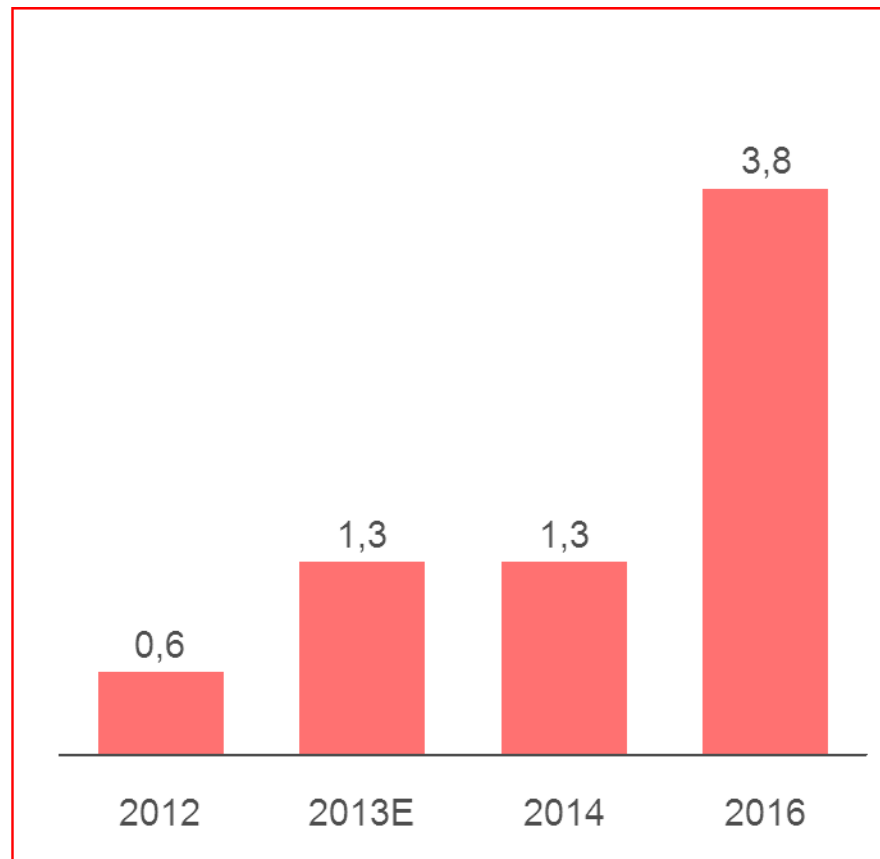
# Balance Sheet evolution (MRG)

End of the period balance, \$ Bn

## Funded Assets



## Deposits



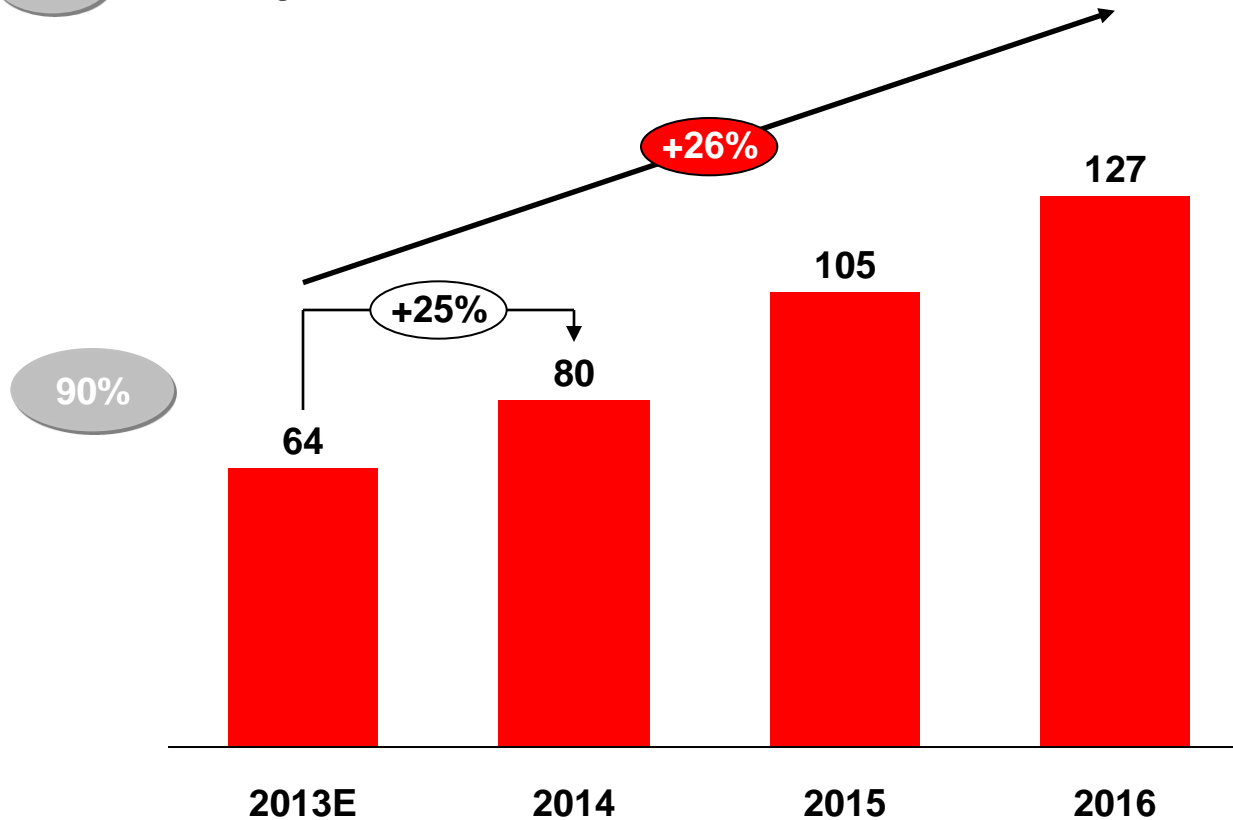


# Revenue evolution (Large Corporates)

Revenue, \$ MM



2013 Budget achievement



CAGR

'13-'14

'13-'16

25%

26%

# Revenue evolution (Large Corporates)

Revenue, \$ MM

	2013E	2014	2015	2016	CAGR '13E-'14	CAGR '13E-'16	
<b>M.O. Clientes</b>	<b>64</b>	<b>80</b>	<b>105</b>	<b>127</b>	<b>25%</b>	<b>26%</b>	
GTB	12	15	24	33	25%	39%	▶
Credit	51	62	72	81	22%	17%	▶
Rates	1	3	5	8	96%	82%	▶
Corporate Finance	0	0.5	4	6	N.A	N.A	

# Revenue evolution (Large Corporates)

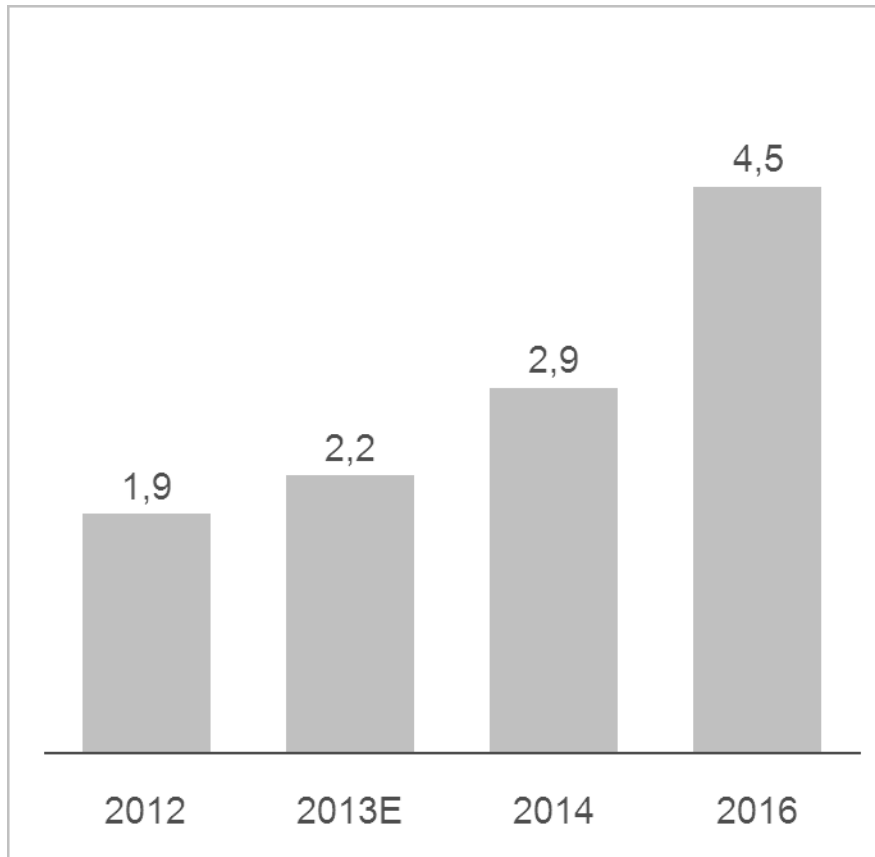
\$ MM

	2013E	2014	2015	2016	CAGR '13E-'14	CAGR '13E-'16
<b>M. Ordinario Clientes</b>	<b>64</b>	<b>80</b>	<b>105</b>	<b>127</b>	<b>25%</b>	<b>26%</b>
Costes	-15	-21	-27	-30	40%	25%
<b>M. Explotación Clientes</b>	<b>49</b>	<b>59</b>	<b>78</b>	<b>98</b>	<b>20%</b>	<b>26%</b>
Provisiones y Otros	-6	-9	-9	-8	56%	11%
<b>BAI Clientes</b>	<b>43</b>	<b>50</b>	<b>70</b>	<b>90</b>	<b>16%</b>	<b>28%</b>
M.O. No Clientes	-1	-2	-3	-4	67%	49%
<b>Margen Ordinario Total</b>	<b>63</b>	<b>78</b>	<b>102</b>	<b>123</b>	<b>24%</b>	<b>25%</b>
<b>M. Explotación Total</b>	<b>48</b>	<b>57</b>	<b>75</b>	<b>94</b>	<b>19%</b>	<b>25%</b>
<b>BAI Total</b>	<b>42</b>	<b>48</b>	<b>67</b>	<b>86</b>	<b>14%</b>	<b>27%</b>
<b>Beneficio Neto</b>	<b>29</b>	<b>34</b>	<b>47</b>	<b>60</b>	<b>14%</b>	<b>27%</b>
<b>Eficiencia</b>	<b>24%</b>	<b>27%</b>	<b>26%</b>	<b>24%</b>		
<b>Mandíbulas</b>	<b>-22%</b>	<b>-15%</b>	<b>6%</b>	<b>11%</b>		
<b>Headcount</b>	<b>25</b>	<b>41</b>	<b>46</b>	<b>49</b>		

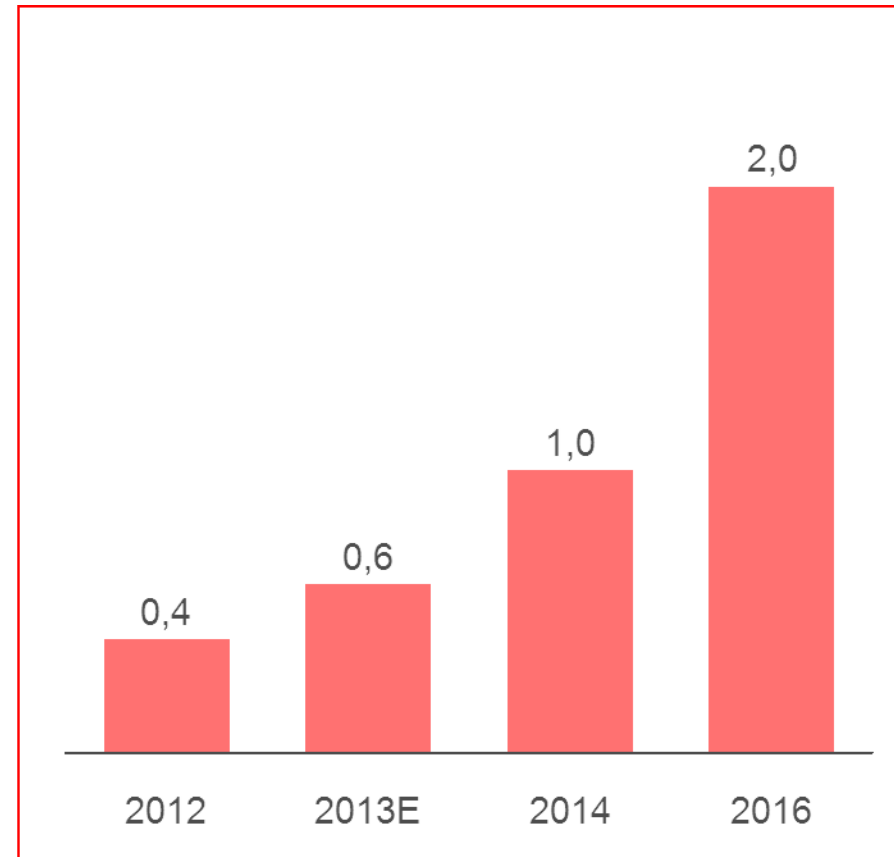
# Balance Sheet evolution (Large Corporates)

End of the period balance, \$ Bn

**Funded Assets**



**Deposits**



# Agenda

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**Market Environment & Competitive Landscape**

**Business Unit Background**

**Business Plan 2014-2016**

**Key Conclusions**

**Appendix**

# Conclusions

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1

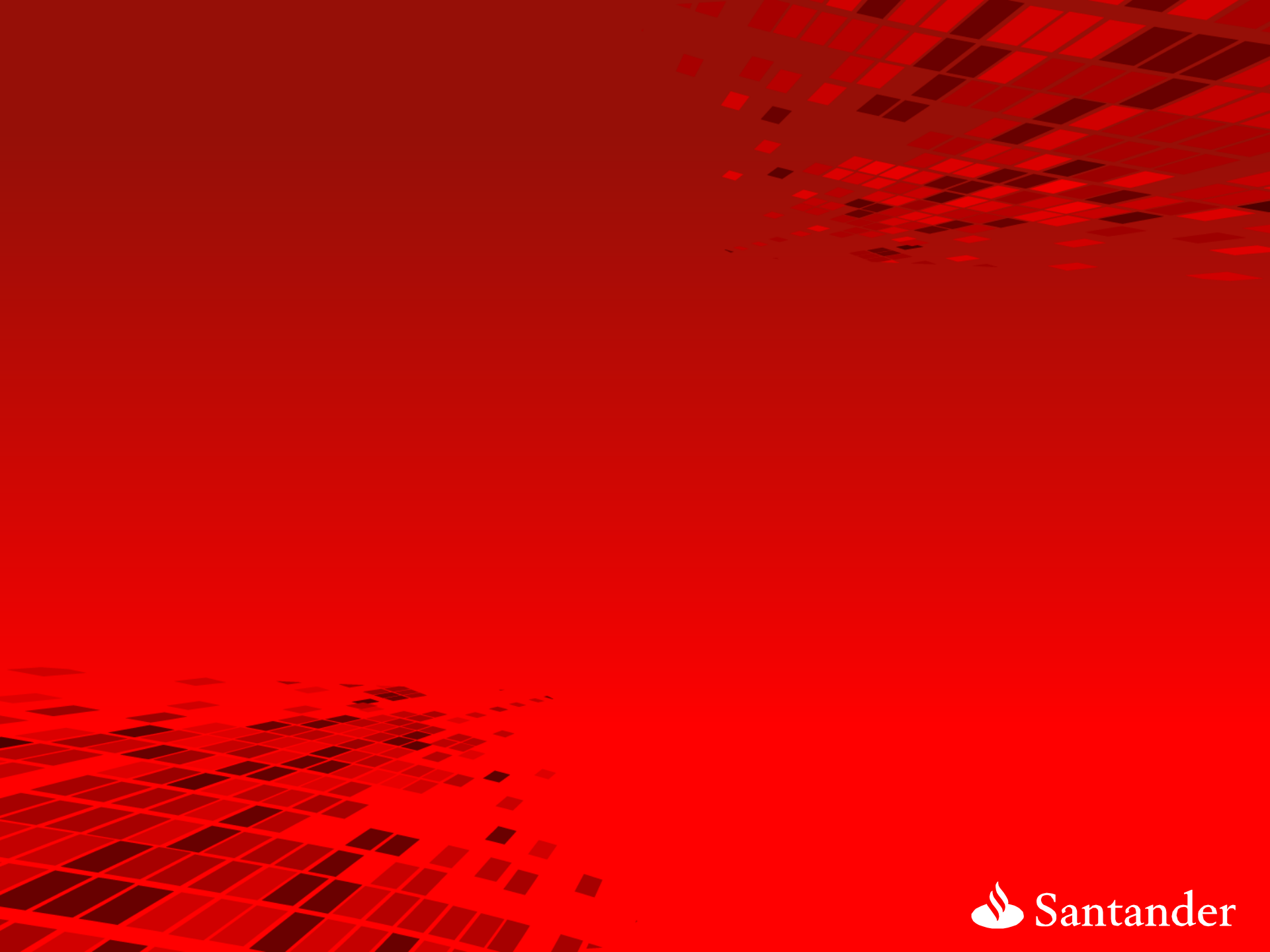
- **GBM US is on track to meet 2013 BAI budget, growing 169% in three years (2011-2013)**

2

- **Through the inclusion of Large Corps and several product initiatives, GBM US can achieve similar growth in 2014-2016 (160%)**

3

- **Future growth depends on a successful execution of the Large Corps strategy and the expansion of the US product offering (in particular DCM, Confirming and Markets)**



# GTB: Growth drivers

## Head Count

- Additional resources to accommodate the open perimeter and growing Large Corporate space.

## New STF Products

- Continuing developing new TECF Products – Receivables Purchase Pool, Forward Contract Finance/Amazonia, Inventory Finance/Amazonia.
- Anticipate new products approval Q32013.

## Broaden Risk Parameter

- Increasing collaboration with risk.
- Higher limits under local delegation (Large Corp).
- Reconciled counter party rating methodology
- Rorac flexibility (Relationship approach)

## Rating

- Direct impact on acceptance of Letters of Credit and Cash Deposits



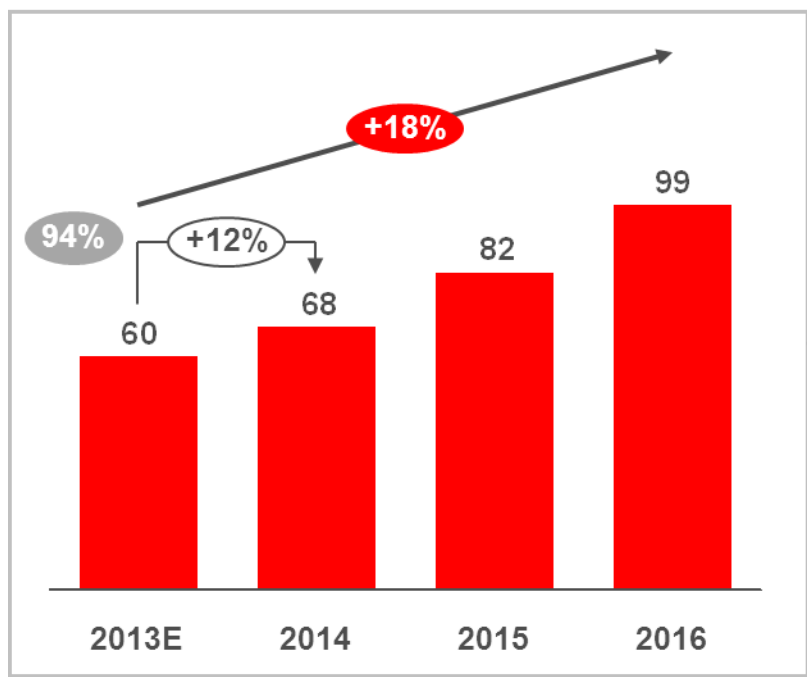
# GTB: Revenue projections

Revenues, \$ MM

% CAGR

% 2013 Budget Achievement

## Total Revenue GTB



## Cash Mgt.

49%

+50%

+52%



## F. Básica

93%

-40%

-5%



## Trade

98%

+22%

+20%



2013E

2014

2015

2016

# GTB: Balance Sheet Projections

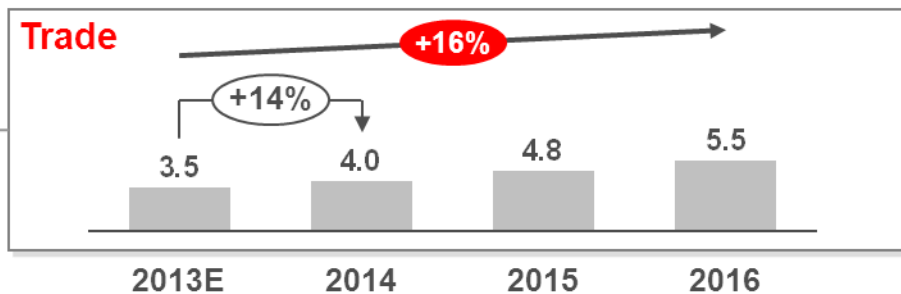
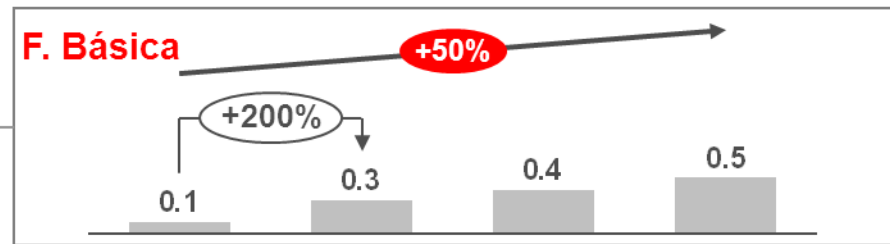
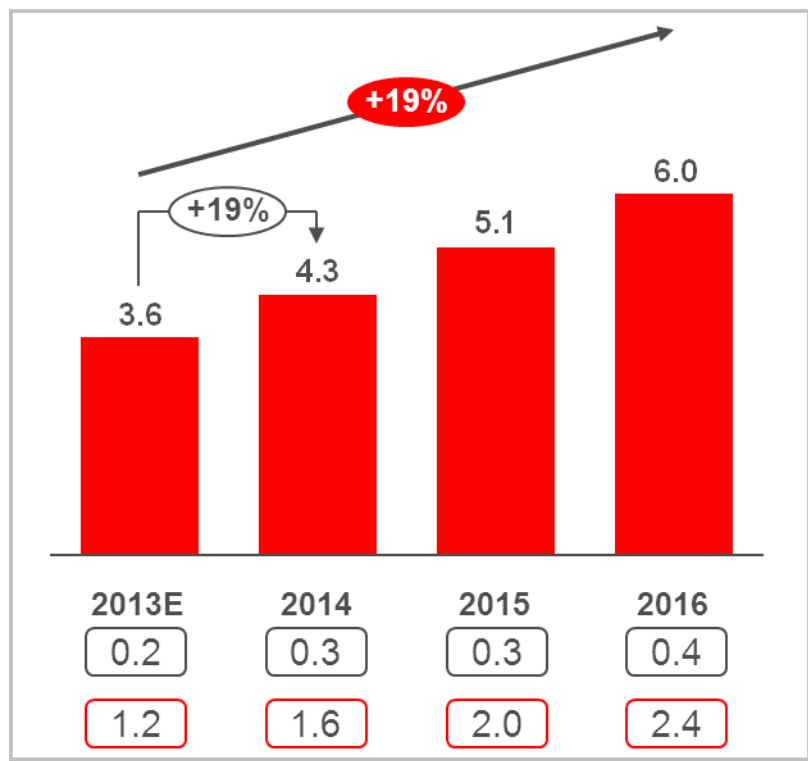
End of the period balance, \$ Bn

% CAGR

Unfunded

Letter of Credits

## Funded Balance Sheet GTB

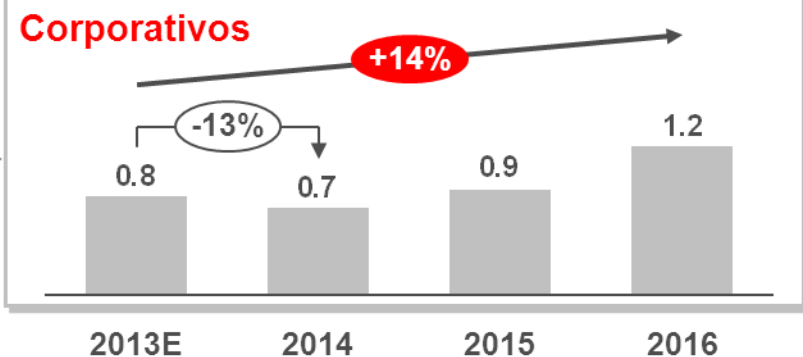
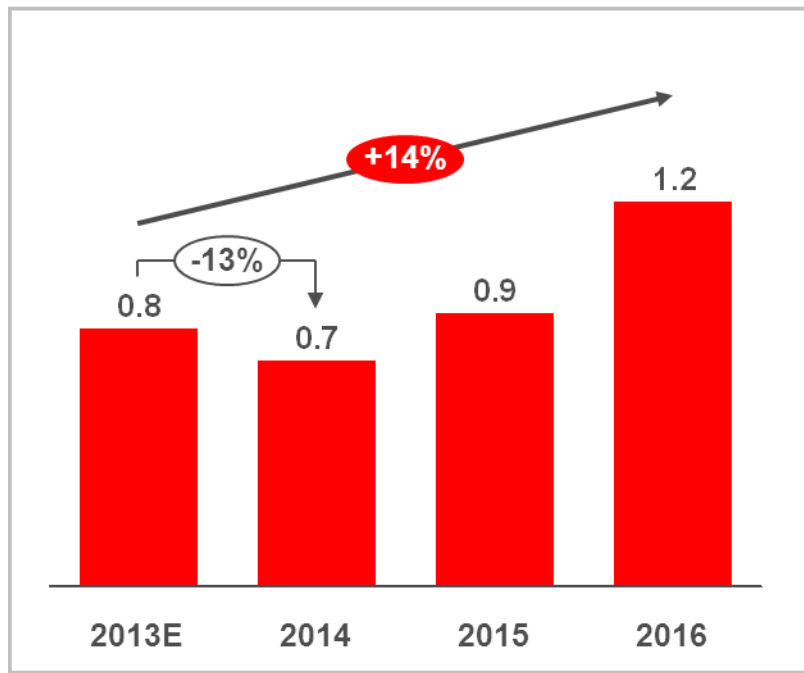


# GTB: Deposits Projections

End of the period balance, \$ Bn

% CAGR

Deposits GTB



# GTB: Enablers



IT&Ops	MM \$		P&L			
	Main projects	Total investment	2013	2014	2015	2016
	▪ Cash Management (Transactional + Confirming)	TBD	0	0	2.0	6.0

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HC	# HC final	2013	2014	2015	2016
		13	15	17	19

# Credit: Growth drivers

## Project Finance

- 5 major areas of focus: (1) Large UW, (2) Refinancings (Hybrid & Bonds), (3) Broaden sector / asset class focus (midstream), (4) Advisory and (5) Canada to off-set market deal-flow drop and increased competition

## ACS

- Focus on tax equity with US sponsors
- Bridge and construction equity, on an opportunistic basis, subject to regulatory clearance
- Needs: i) tax capacity; ii) +3 HC

## Synd Loans

- MRG: focus on event driven transactions
- Large Corps: develop better dialogue with key clients, focusing in: i) expansion in Latin America; ii) DCM issuance; iii) one off transactions

## DCM

- HG Plan – Start covering 85 US and European issuers
- Until that plan is in place, we continue to push for co-man roles

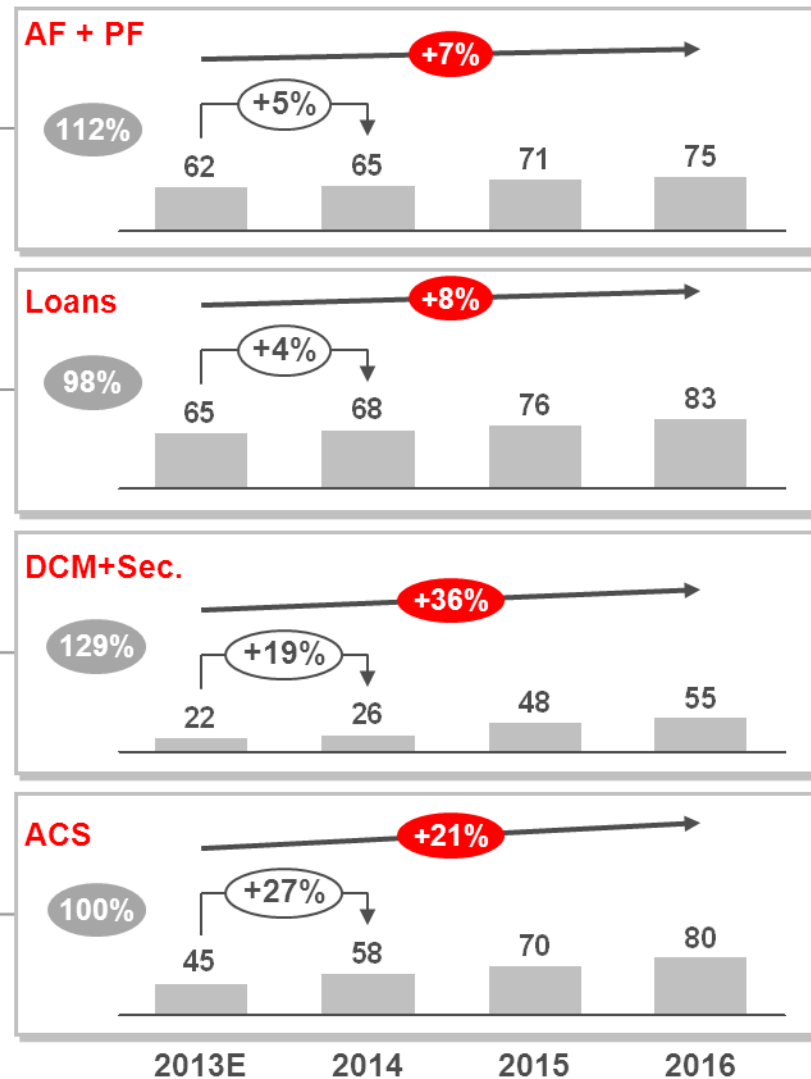
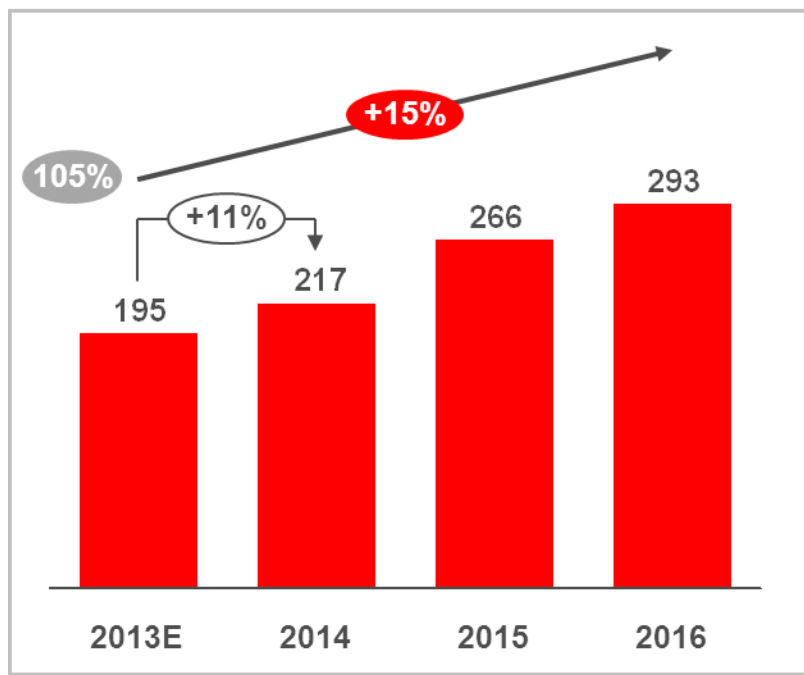
# Credit: Revenue projections

Revenues, \$ MM

% CAGR

% 2013 Budget Achievement

## Total Revenue Credit



# Credit: Balance Sheet projections

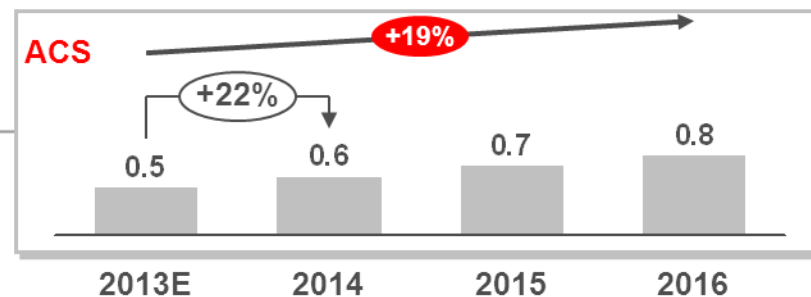
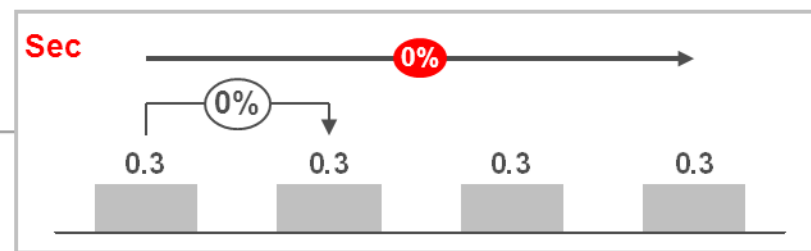
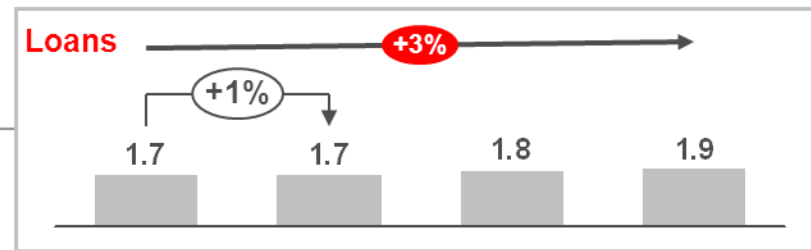
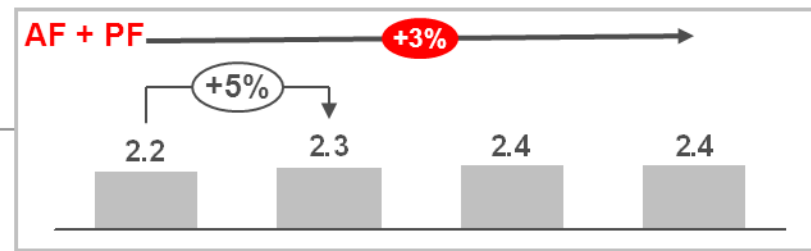
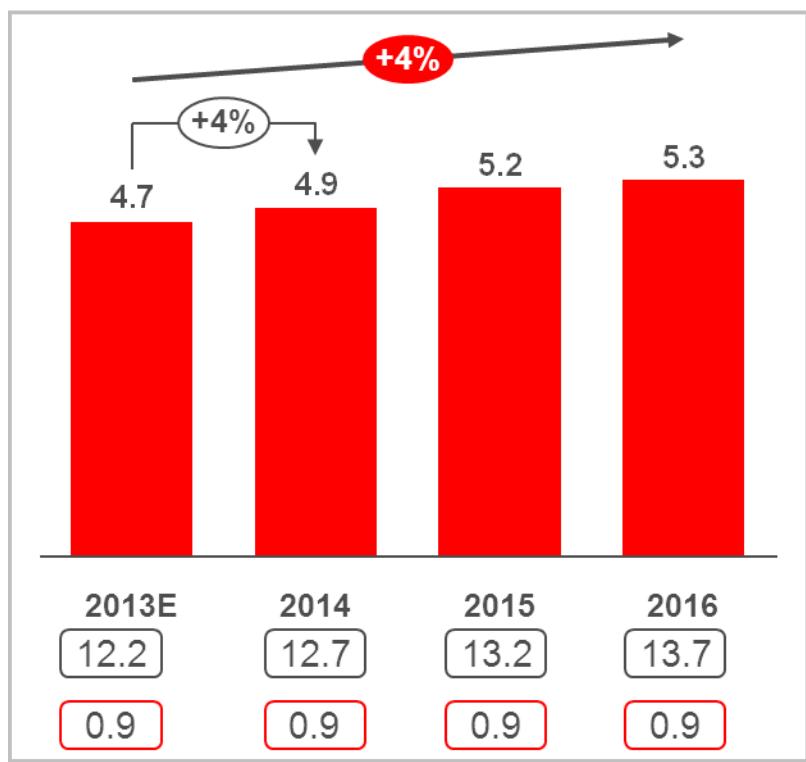
End of the period balance, \$ Bn

% CAGR

Unfunded

Letter of Credits

## Funded Balance Sheet Credit



# Credit: Enablers



IT&Ops

MM \$		P&L				
	Main Project	Total Investment	2013	2014	2015	2016
	▪ DCM High Grade	TBD	0	4	26	30

HC

# HC final	2013	2014	2015	2016
	23	25	27	28

Note: SIS Headcount not included in GBM US projections



# Markets: Growth drivers

## Large Corps

- Leverage our Latam expertise especially with acquisitive clients
- Participate in the domestic IRS business with Top Tier clients
- FX: onboard flow clients + specialized coverage

## Midcorps

- Segmentation & specialized coverage in the 3 main segments
- Focus on large Real Estate transactions and accompany business growth in NY & DC
- Upmarket move in SME (implementation of Dodd-Frank ECP rules)

## MRG

- Focus on core strengths due to rating context in this segment
- One-off transactions linked to M&A and Latam financing + migration to non-rating sensitive clients

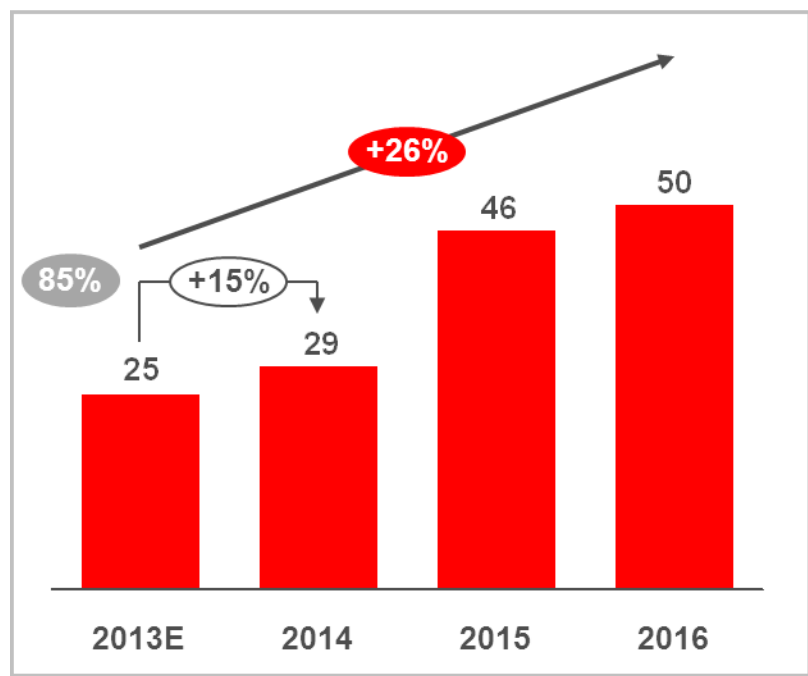
# Markets: Revenue projections

Revenues, \$ MM

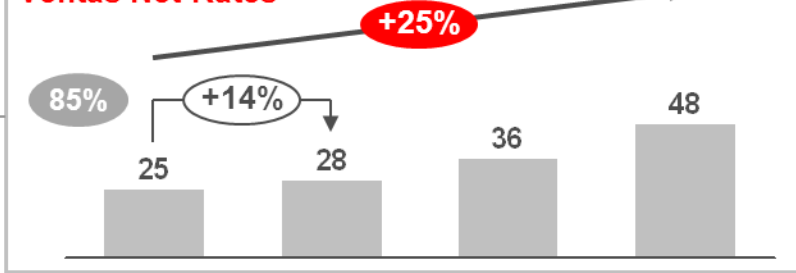
% CAGR

% 2013 Budget Achievement

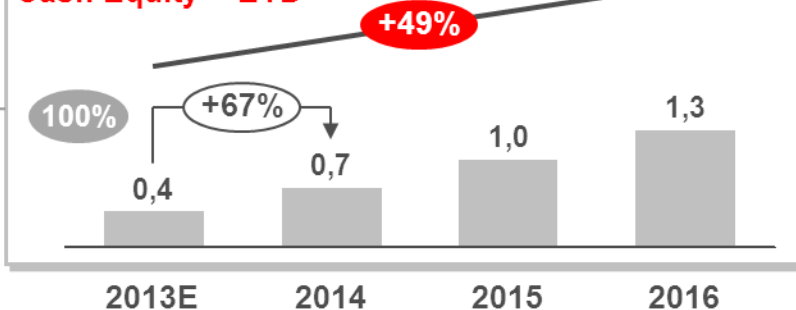
## Total revenues Markets



## Ventas Net Rates



## Cash Equity + ETD

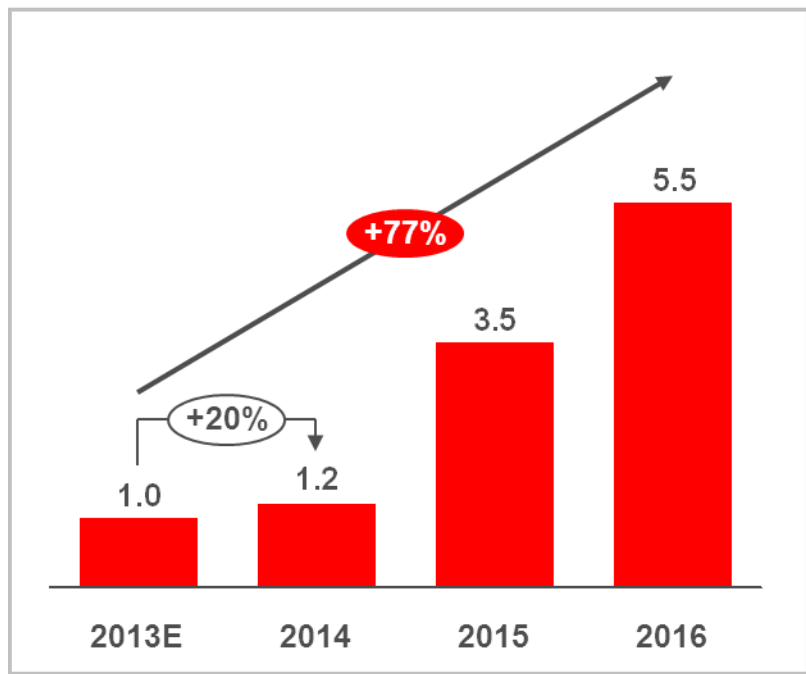


# Markets: Deposits Projections

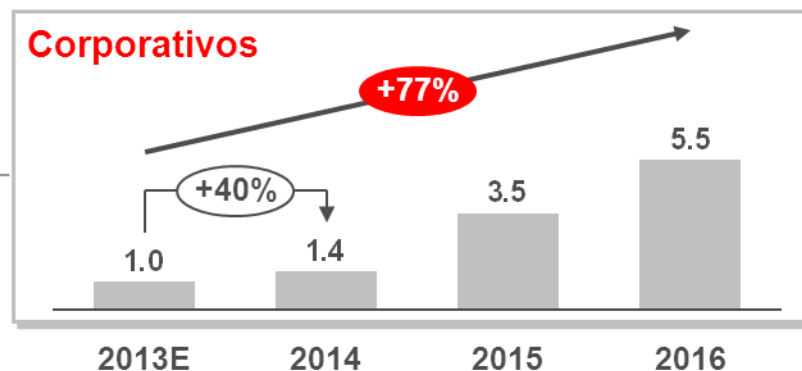
End of the period balance, \$ Bn

% CAGR

Deposits GTB



Corporativos



# Markets: Enablers



IT&Ops

Main Projects	Total Investment	P&L			
		2013	2014	2015	2016
▪ Completion Product Suite	TBD	0	1.5	6.0	11.0

HC

# HC final	2013	2014	2015	2016
	18	20	22	23

# Corporate Finance: Growth drivers

## ECM

- MLPs van a suponer una fuente recurrente
- Incremento exposición de SOV a Real Estate

## M&A

- SOV: Segmento LC como fuente de oportunidades
- Intensificar relaciones con los que somos mínimo Tier 2

## CORP

- Continuar incrementando numero compañías buybacks
- Incorporar segmento LC para potenciales recompras

## USA

- Incremento apetito crédito para nombres claves
- Mejor penetración en la cadena de producto con LC
- Situaciones específicas en Middle Markets

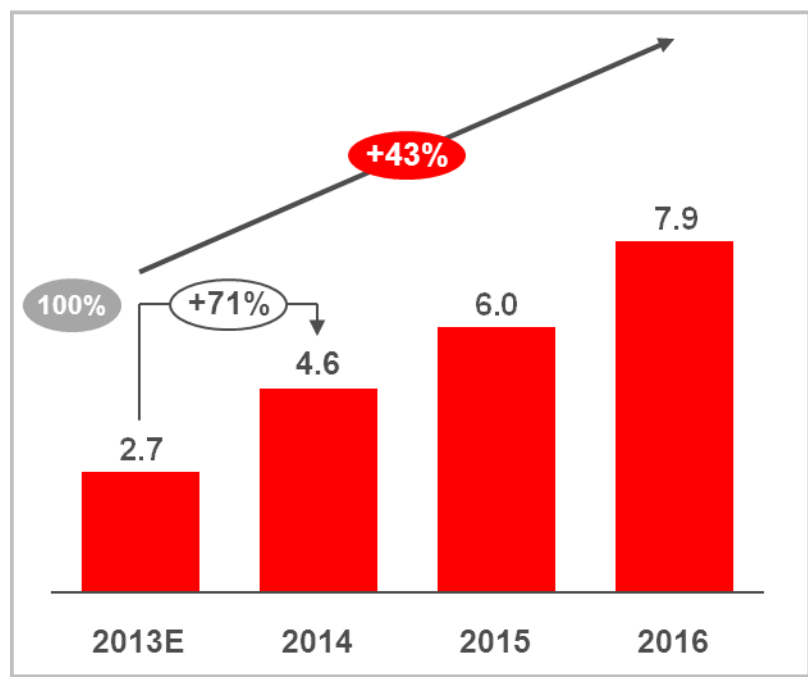
# Corporate Finance: Revenue projections

Revenues, \$ MM

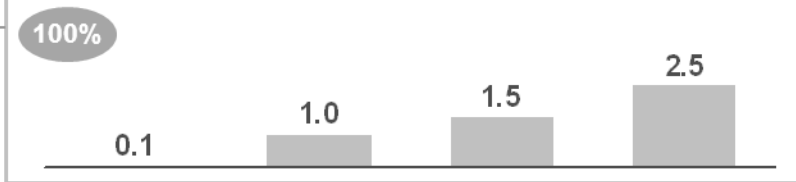
% CAGR

% 2013 Budget Achievement

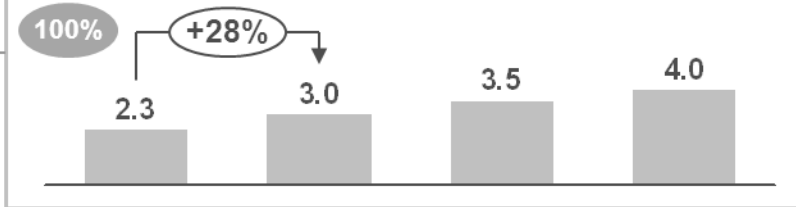
## Total Revenue Corporate Finance



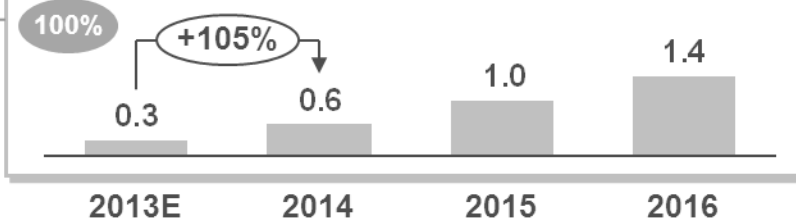
## M&A



## ECM



## Corporates\*



\* Corporate Equity Derivatives + Services to issuers

# Corporate Finance: Enablers



IT&Ops	MM \$	Main Projects	Total Investment	P&L			
				2013	2014	2015	2016

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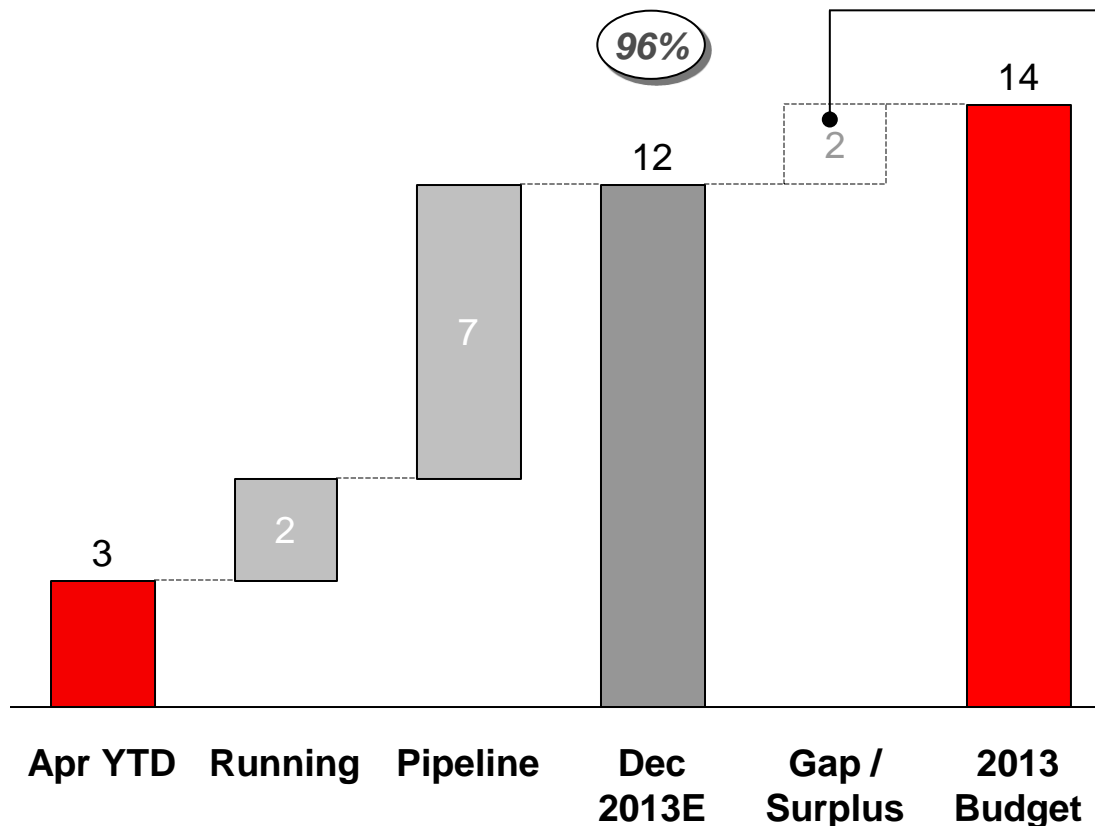
HC*	# HC final	2013	2014	2015	2016
		4	7	8	9

\*SIS Headcount (not included in GBM US projections)

# GTB Large Corps 2013 Budget analysis

M\$

% Budget achievement



## Initiatives to close the gap

- Integration of business into GTB team with full product roll out.
- Intensify marketing efforts on clients targeted through a mapping exercise.
- Collaboration with LC Bankers to i/d near term opportunities.
- Capture opportunities derived from existing trade relationships between MRG and LC clients (i.e. Supply Chain Finance between MRG and LC client).



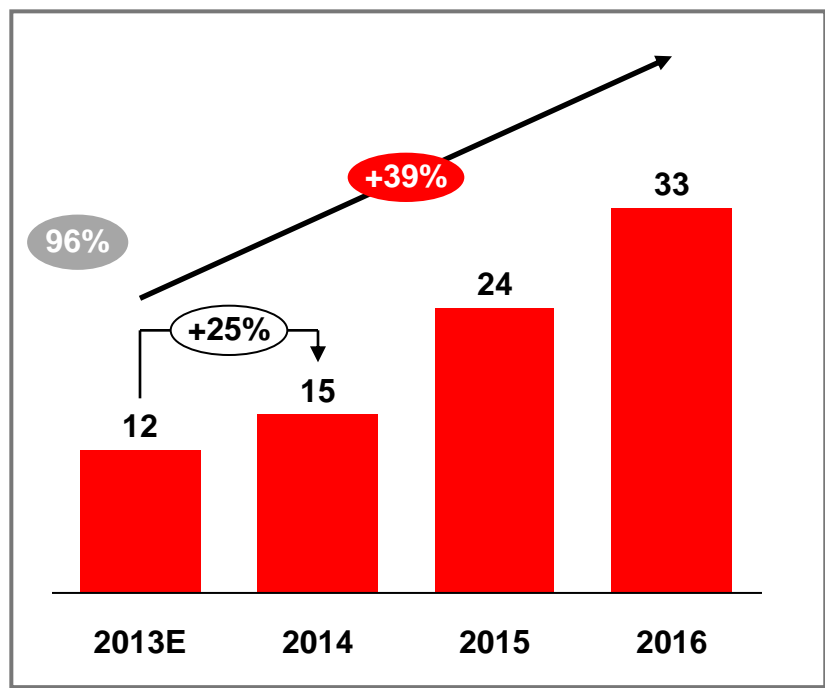
# GTB Large Corps: Revenue projections

Revenues, \$ MM

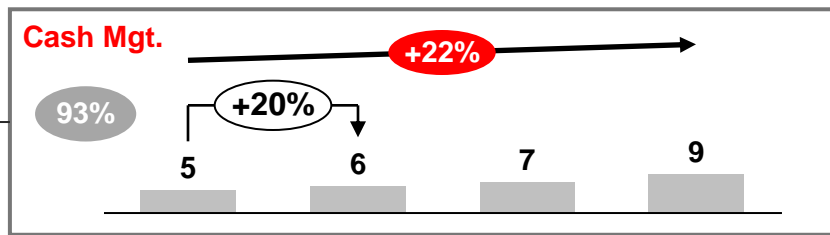
% CAGR

% 2013 Budget Achievement

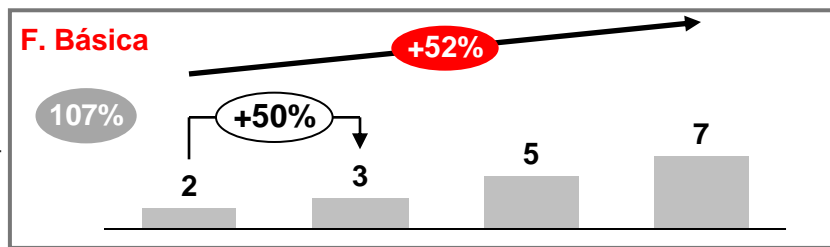
## Total Revenue GTB



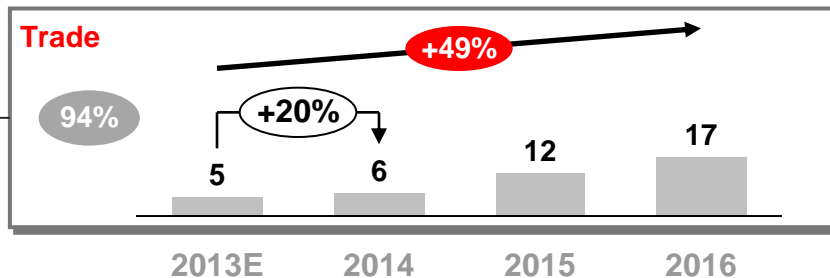
## Cash Mgt.



## F. Básica



## Trade



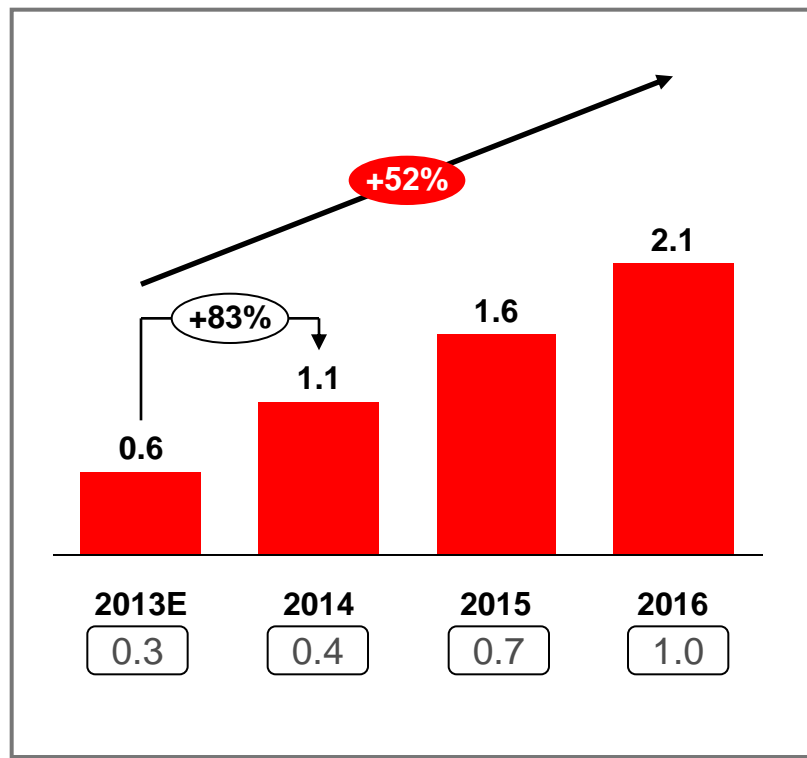
# GTB Large Corps: Balance Sheet Projections

End of the period balance, \$ Bn

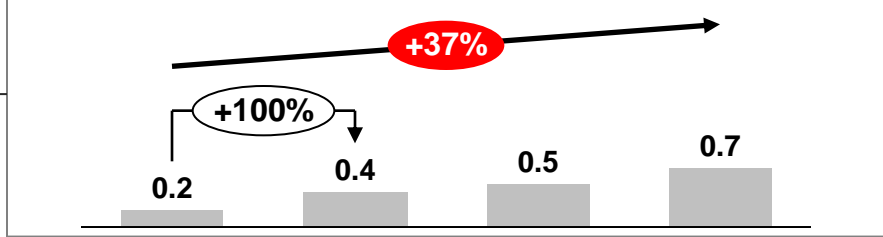
% CAGR

Unfunded

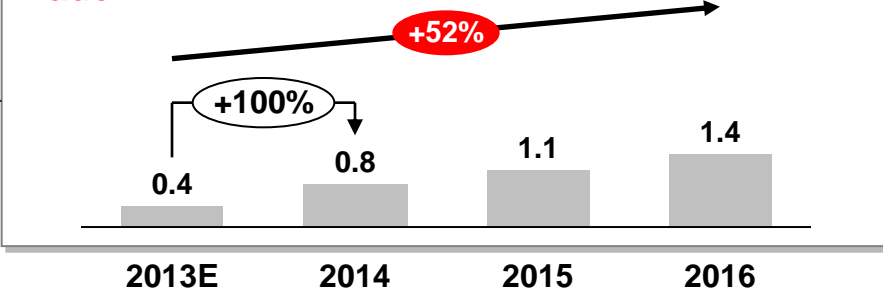
## Funded Balance Sheet GTB



### F. Básica



### Trade



# GTB Large Corps: Conclusions

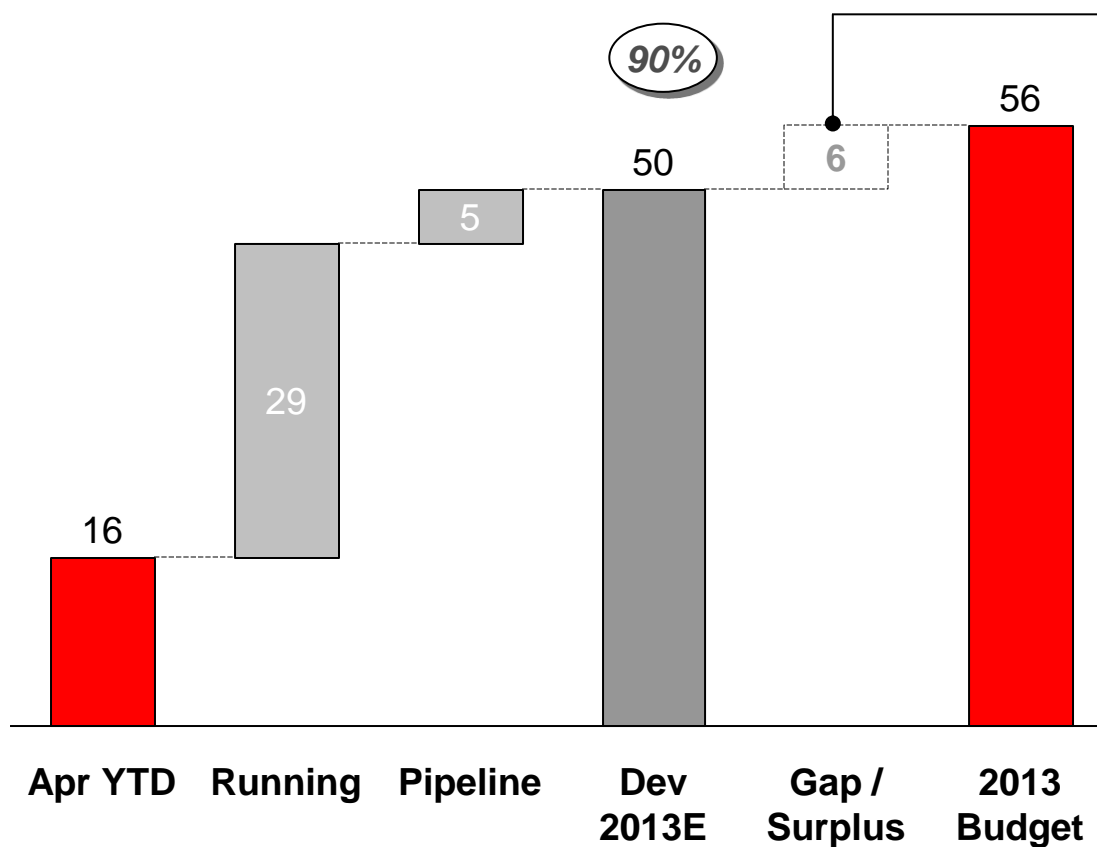


- 1 The profile of companies in the segment creates an opportunity to more than match the strong growth achieved in the MRG space
- 2 Approach will mirror that applied in MRG space; clear product focus on capital light recurrent transactional business (SCF and Trade), and fee generating capital efficient Export Finance
- 3 Immediate need to improve proprietary product capabilities in transactional flow business (cash, confirming, FX), to fully leverage opportunity evident in this perimeter
- 4 Key enablers; new headcount (+4), risk management appetite and cash management investment

# Credit Large Corps 2013 Budget analysis

M\$

% Budget achievement



## Initiatives to close the gap

- Bankers and product team have identified an initial list of existing clients to market who are:
  - acquisitive,
  - regular issuers in the bond market and/or
  - focused on expanding in LATAM.

# Credit Large Corps: Projections

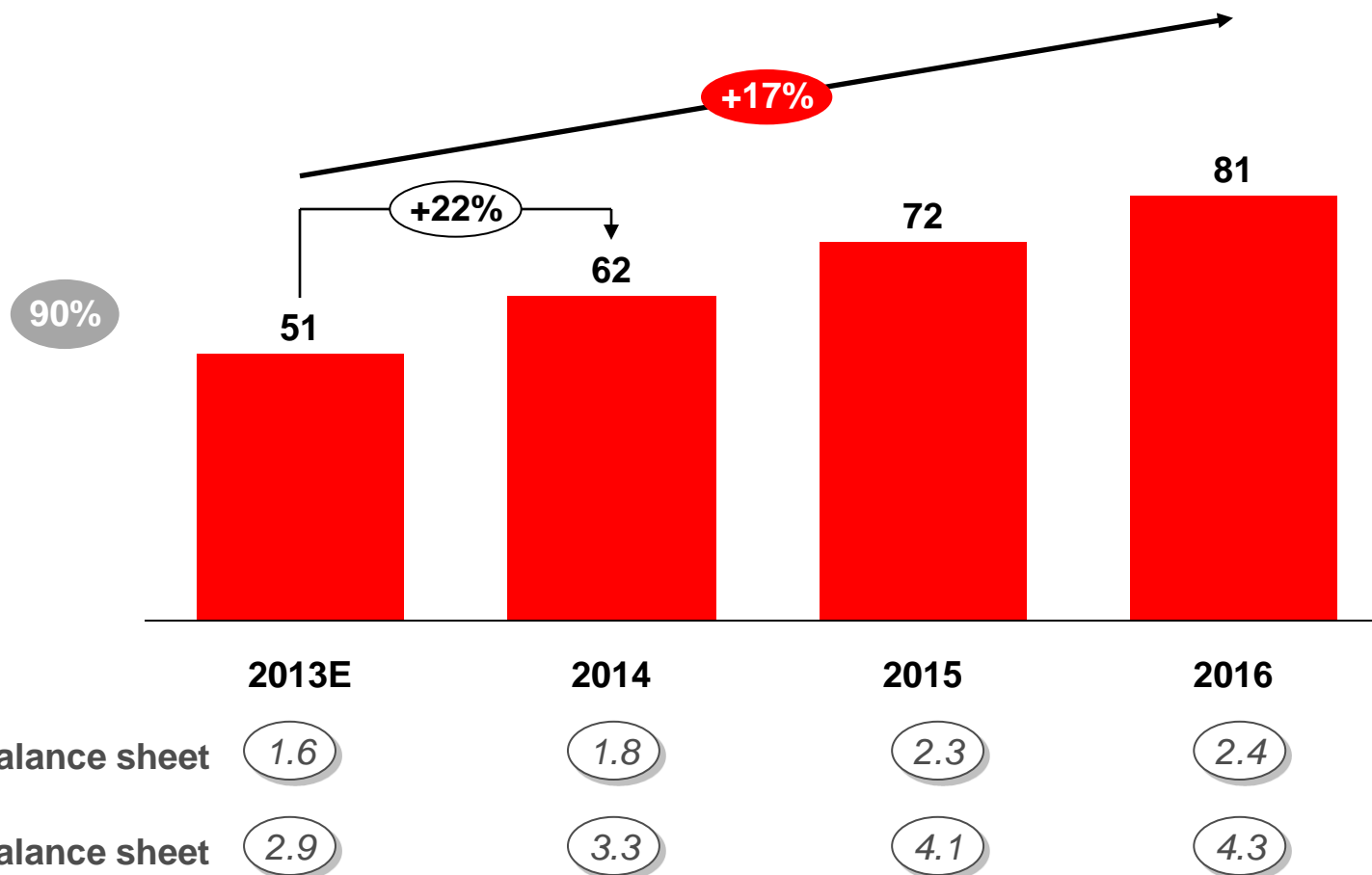
Revenues, \$ MM

%

CAGR

%

2013 Budget Achievement



# Credit Large Corps: Conclusions

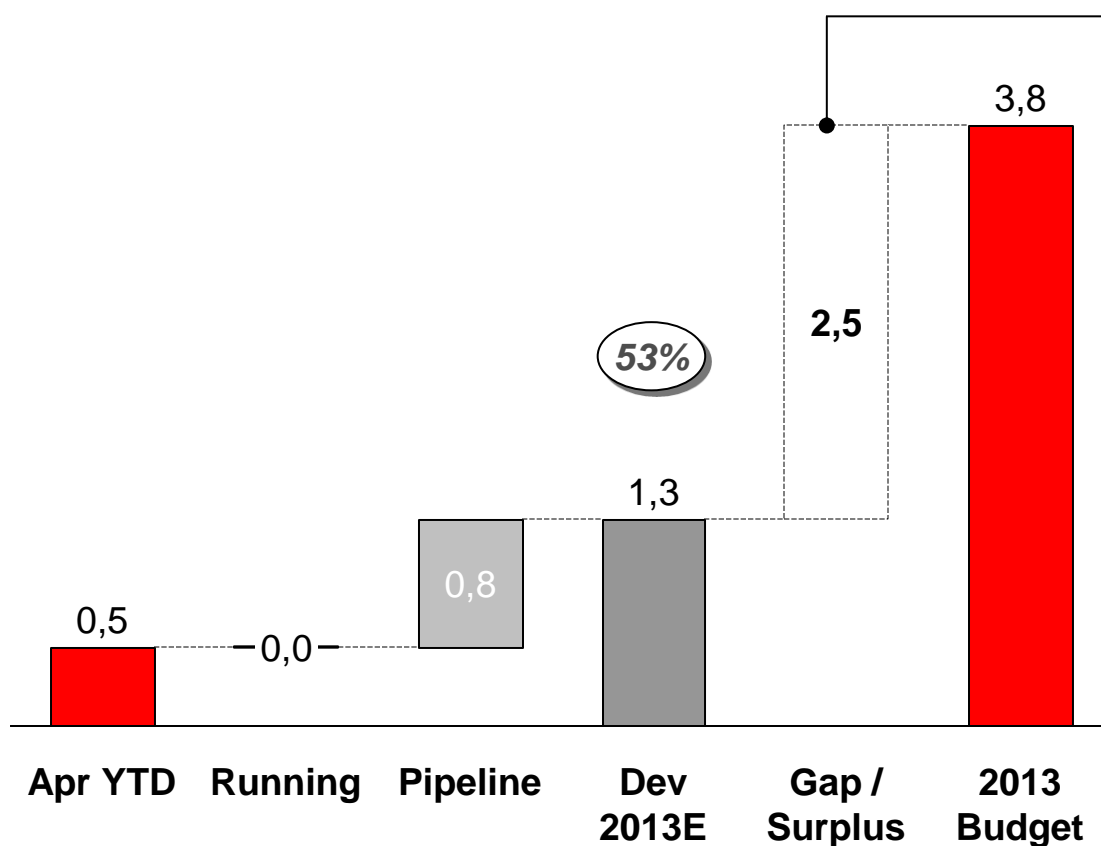


- 1 The syndicated loan was the primary entry point for the existing Large Corp clients (70% of the relationships are loan only) but our relatively modest initial commitment relegated us to a Tier 3 or Tier 4 bank
- 2 Adopting a targeted marketing approach and better business planning with product partners, including a strategy to “up-tier” with key relationships, will lead to incremental P&L.
- 3 Initiatives in place to close 2013 gap with existing clients
- 4 Efforts are on-going with our Risk partners to develop a standard approach to secured lending for the entire GBM perimeter.
- 5 Key enabler new headcount (+5)

# Rates Large Corps 2013 Budget analysis

M\$

% Budget achievement



## Initiatives to close the gap

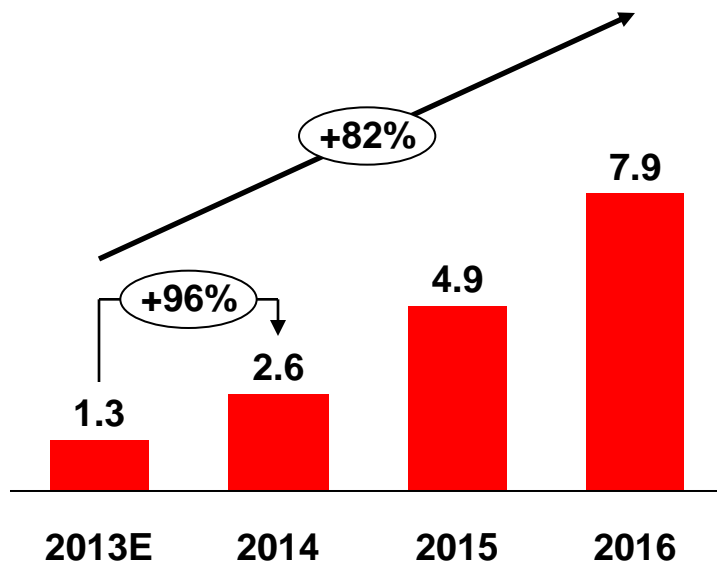
- Focus on execution of larger deals in pipeline (Briggs, Royal Caribbean, CVS, Rockwood, etc.)
- Review with other geographies: coordinating with Mexico to identify potential opportunities with current US clients (Bemis, CHS, Polaris, C&W) and with Brazil with current local relationships.
- Product initiatives: Compromissada (Brazil)
- Continue the commercial plan (visit all P2 by end of June) and on-boarding process in Sovereign (Lines, ISDAs)

# Rates Large Corps: Projections

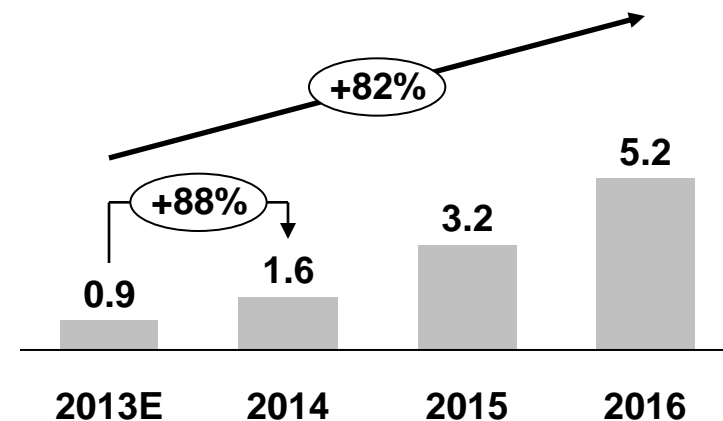
Revenue , M\$

 CAGR

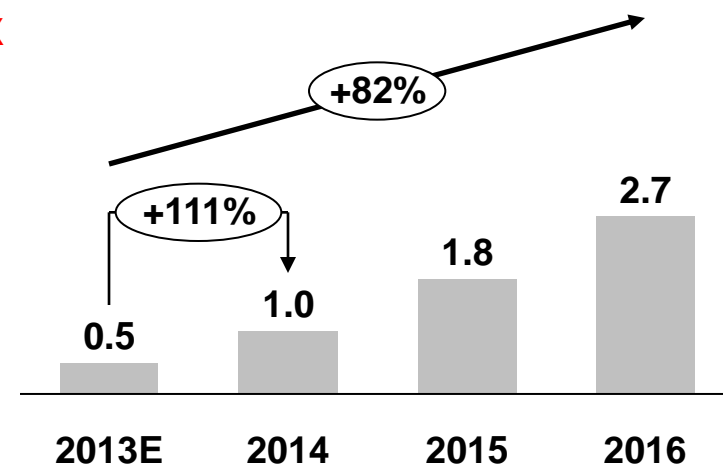
Rates Total Revenues



FI



FX





# Rates Large Corps: Conclusions



- 1 High-growth acquisitive companies expanding in our natural markets with potential Rates opportunities derived from M&A and subsidiary financing.
- 2 Lower level of competitiveness due to rating and less sophistication in our core markets than MRG segment increase margin opportunities.
- 3 Key enablers:
  1. Participate at the tier I or II level to be considered for derivatives business (\$100m+)
  2. New headcount (+5)

