



**Banco Santander, S.A.**

**Resolution Plan for U.S. Operations**

**Public Section**

**December 31, 2014**

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# I. Section 1: Public Section

## Definition of Terms

The following are definitions for common terms used throughout the document. See [Section IX Glossary](#) for a comprehensive list of definitions.

Term	Definition
"Santander Group"	Includes all Santander operations globally.
"Santander"	Banco Santander, S.A. - a Madrid based Spanish Bank; it is the parent company to SHUSA and the Factories, as well as many other U.S. legal entities; it is the "covered company" responsible for submitting the Resolution Plan.
"Santander U.S."	Santander Group's U.S. Operations; includes all Santander operations in the U.S.
"SHUSA"	Santander Holdings USA, Inc. - SHUSA is a bank holding company subsidiary of Santander. It is the parent company of SBNA, and has a majority ownership interest in SCUSA.
"SBNA"	Santander Bank, N.A. - the U.S. based IDI that is a subsidiary of SHUSA.
"SCUSA"	Santander Consumer USA Holdings Inc., together with Santander Consumer USA Inc. and its subsidiaries. SCUSA is publicly traded and 60.5% owned by SHUSA.
"Factories"	Santander's wholly-owned global shared service entities.
"Plan"	The U.S. resolution plan required to be submitted by Santander on December 31, 2014.
"Santander's 2013 Resolution Plan"	The U.S resolution plan submitted by Santander on December 31, 2013; the prior year plan and first submission.

# Introduction

## U.S. Resolution Plan

Banco Santander, S.A. (“Santander”) has developed this resolution plan (the “Plan”) for the U.S. operations of Santander as required under Title I, Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and the regulations jointly promulgated by the Board of Governors of the Federal Reserve System (the “FRB”) at 12 C.F.R. Part 243 and the Federal Deposit Insurance Corporation (the “FDIC”) at 12 C.F.R. Part 243 (the “SIFI Rule”).

The Dodd-Frank Act mandates that a bank holding company, or a foreign bank regulated as a bank or financial holding company under Section 8(a) of the International Banking Act of 1978 with assets of \$50 billion or more, develop a plan for its rapid and orderly resolution in the event of material financial distress or failure. The purpose of this provision is to provide regulators with plans that would enable them to liquidate failing financial companies that pose a significant risk to the financial stability of the United States in a manner that mitigates such risk.

This Plan provides a detailed road map for the orderly resolution of the U.S. operations of Santander under a hypothetical stress scenario and failure. Santander, a global banking organization headquartered in Madrid, Spain, is treated as a bank holding company under Section 8(a) of the International Banking Act of 1978, and has elected to be treated as a financial holding company pursuant to the Gramm-Leach-Bliley Act of 1999. Santander is the “Covered Company” for the purposes of this Plan. The legal entity structure of Santander in the United States is a reflection of its business model based on independent subsidiaries, as explained later in this Plan.

Consistent with the SIFI Rule, this Plan addresses Santander's U.S. operations, which are conducted through the Material Entities (“MEs”) set forth and described in Section A, below, and the Core Business Lines (“CBLs”) described in Section B, below.

In addition to the Material Entities, Santander owns, directly or indirectly, the following subsidiaries or branches: Santander’s New York Branch (“Santander NYB”), a foreign branch with \$25.2bn in assets regulated by the New York State Department of Financial Services; Abbey National Treasury Services plc’s Connecticut branch, a foreign branch with \$14bn in assets regulated by the Connecticut Department of Banks; Santander Investment Securities Inc., a New York broker-dealer regulated by the Securities and Exchange Commission (the “SEC”) and the Financial Industry Regulatory Authority (“FINRA”) that is subject to resolution as a member of the Securities Investor Protection Corporation (“SIPC”); and Banco Santander International, an Edge Act corporation based in Miami Florida with \$7.5bn in assets, subject to supervision by the FRB. Santander’s Portuguese bank subsidiary, Totta & Accores Inc., is based in Newark, New Jersey.

Other U.S. subsidiaries include Santander BanCorp, a bank holding company in Puerto Rico with \$7.6bn in assets regulated and supervised by the FRB, and its main subsidiary, Banco Santander Puerto Rico, a commercial bank with \$7.2bn in assets, regulated and supervised by the Office of the Commissioner of Financial Institutions of Puerto Rico (“OCIF”) and the FDIC, which is subject to the FDIC’s resolution authority; Santander Securities, LLC, a broker-dealer subject to SEC and FINRA supervision and a member of the SIPC; and Santander Financial Services, a consumer finance company. Santander also owns, directly or indirectly, the following subsidiaries in Puerto Rico: Santander Overseas Bank (an international banking entity), and BST International Bank (an international banking entity).

In accordance with the SIFI Rule, this Plan does not address resolution strategies for entities not identified as Material Entities or subject to U.S. resolution regimes. Information in this Plan is as of December 31, 2013, unless otherwise indicated.

## Santander Group

The Santander Group (the "Group") is structured as a coordinated whole of differentiated parts. This is the result of a series of organizational and management practices rooted in the Group, such as:

- From a business point of view, the Group's activities are divided first by geographic areas, in such a way that each major local market comprises a business unit (e.g., the U.S., Brazil, the U.K., Portugal, or Poland).
- Legally, the geographic business units are arranged as sub-groups of subsidiaries, even though in some of the most relevant financial markets (e.g., New York and London) local branches also exist.
- This structure of subsidiaries which are legally independent is essential to fully identify and appropriately separate the different relationships (with respect to, for example, capital, financing, lending, servicing, and custody) within the Group.
- Financially, each local sub-group must obtain its own liquidity resources and maintain capital commensurate with its activities.
- From a technological and operational viewpoint, each local sub-group uses its own resources, contracts with third parties, and/or obtains these services from the Group's "Factories."

Accordingly, the Group's organizational structure permits clear and precise distinction between the main business units. It also makes it possible to separate particular units from the rest of the Group if the intention were to dispose of any particular unit or should it be necessary to isolate any unit in the case of it being affected by a crisis.

In addition, the existence of local units established as legal entities with their own corporate governance facilitates the work of local authorities, as they can identify properly the objects of supervision and the responsible parties, enabling a much more intense local supervision than that which would be possible with branches. It also makes it possible to know in detail and continually supervise the relationships between each unit and others of the Group. As a result, the autonomy of the Group's subsidiaries would limit, in times of crisis, contagion among its various units, reducing systemic risk and facilitating management and resolution of crises while generating incentives for good local management.

This structure, in the context of the "Key Attributes of Effective Resolution Regimes for Financial Institutions" set out by the Financial Stability Board, makes the "multiple points of entry" the most appropriate resolution strategy for the Santander Group, as confirmed by Santander's Crisis Management Group. Under this approach, separate resolution actions may be taken at Santander's operating subsidiaries. This would allow for the orderly resolution of each of the subsidiaries under applicable national laws and regulations with cross-border cooperation but limited risk of jurisdictional conflict.

## Santander Group Business Model

The Santander Group is a retail and commercial banking group based in Spain, with a presence in ten core markets: Spain, the U.K., Germany, Poland, Portugal, the U.S., Brazil, Mexico, Argentina, and Chile. Santander had EUR 1.342 trillion in managed funds, 102 million customers, 14,680 branches, and 186,783 employees as of June 30, 2013.

The operating business units of the Santander Group are structured in two levels:

- Principal (or geographic) level: Geographic areas segment the activity of the Group's operating units. This coincides with the Group's first level of management and reflects the Santander

Group's positioning in the world's three main currency areas (euro, sterling, and dollar). These segments are:

- Continental Europe: This includes all retail banking business, wholesale banking, and asset management and insurance conducted in this region, as well as the unit of run-off real estate in Spain.
- U.S.: This includes the businesses of SBNA, SCUSA, and all other businesses in the U.S.
- U.K.: This includes retail and wholesale banking and asset management and insurance conducted by the various units and branches of the Group in the U.K.
- Latin America: This includes all of the Group's financial activities conducted through several banks and other subsidiaries.
- Secondary (or business) level: This categorizes the activity of the operating units by type of business. The segments are retail banking, wholesale banking, asset management, and insurance.
  - Retail Banking: This includes all consumer banking businesses, including private banking (except global corporate banking, which is managed through the Santander Group's global customer relationship model). Hedging positions in each country are conducted through assets and liability committees.
  - Global Wholesale Banking: This business reflects revenues from global corporate banking, investment banking, and markets worldwide, including all treasuries managed globally (both trading and distribution to customers), as well as equities business.
  - Asset Management and Insurance: This includes the contribution of the various units to the Group in the design and management of mutual and pension funds and insurance. The Group uses, and remunerates through agreements, the retail networks that place these products.

## Corporate-level Resolution Planning

Santander is considered a G-SIFI, and its resolution planning process is guided by the principles and core elements set forth in the "Key Attributes of Effective Resolution Regimes for Financial Institutions" issued by the Financial Stability Board ("FSB") in October 2011 and October 2014 (together, "Key Attributes"). In accordance with the Key Attributes, Santander's resolution planning assumes resolution would be coordinated by a Crisis Management Group ("CMG") as described in the Key Attributes, which would be led by the home supervisor and would incorporate the supervisor, central banks, resolution authorities, finance ministries, and the public authorities responsible for jurisdictions that are home or host to entities of the Santander Group that are material to its resolution.

The Santander Group's model of independent affiliates, discussed above, makes the likelihood of Santander going into resolution remote. However, under Spanish law, upon the failure of Santander, the Bank of Spain would designate the FROB as "special manager" to assume control of Santander and its subsidiaries, including the "Factories" - affiliates that provide core IT, software programming, data control, payroll, and employee benefit services. The FROB would then manage the affairs of Santander in order to achieve an orderly resolution, taking into consideration both Spanish and global systemic risk.

The value of Santander and each of its Factories is dependent upon the continuation of services provided by the Factories to SBNA and other banks within the Santander Group. Revenues from SBNA and numerous other businesses in the Group are a material source of revenues and value for the Factories,

and the value of Santander's ownership interest in SBNA is enhanced by the continuation of the services provided by the Factories. Accordingly, it is in the best interests of the FROB as administrator, both in terms of economic benefit to Santander and in the interests of avoiding disruptions and limiting contagion to other financial institutions, to take steps to assure the continuation of those services.

## **I.A The Names of Material Entities**

For U.S. resolution planning purposes, Santander has identified the following companies as Material Entities, which are defined under the SIFI Rule as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line." The identified MEs are listed below.

### **I.A.1 Santander Holdings USA, Inc. ("SHUSA")**

SHUSA is the parent company of SBNA and owns a 60.5% interest in SCUSA. With the conversion of SBNA to a national association on January 26, 2012, SHUSA became a bank holding company and, for purposes of resolution planning, presently owns or has an interest in all of Santander's CBLs operating in the United States.

SHUSA's principal executive offices are located at 75 State Street, Boston, Massachusetts. SHUSA is a wholly-owned subsidiary of Santander.

### **I.A.2 Santander Bank, N.A. ("SBNA" or the "Bank")**

SBNA is a national banking association having over 700 retail branches, over 2,100 ATMs, and approximately 9,000 team members, with principal markets in the northeastern and mid-Atlantic United States. The Bank's primary business consists of attracting deposits from its network of retail branches and originating small business loans, middle market, large and global commercial loans, large multi-family loans, residential mortgage loans, home equity loans and lines of credit, and auto and other consumer loans in the communities served by those offices.

SBNA converted from a federally-chartered savings bank to a national banking association on January 26, 2012. In connection with its charter conversion, the Bank changed its name to Sovereign Bank, National Association and, on October 17, 2013, to Santander Bank, N.A. The Bank has its home banking office in Wilmington, Delaware, and its headquarters in Boston, Massachusetts.

### **I.A.3 Santander Consumer USA Inc. ("SCUSA")**

SCUSA is a specialized consumer finance company headquartered in Dallas, Texas and engages in the purchase, securitization, and servicing of retail installment contracts originated by automobile dealers and direct origination of retail installment contracts over the Internet. On January 23, 2014, SCUSA's parent, Santander Consumer USA Holdings Inc., executed its initial public offering. SHUSA maintains a 60.5% ownership in SCUSA.

### **I.A.4 Ingenieria de Software Bancario, S.L. ("Isban")**

Isban is a Spanish limited liability company subsidiary of Santander based in Madrid, Spain that develops software and provides systems integration and maintenance services.

### **I.A.5 Produban Servicios Informaticos Generales, S.L. ("Produban")**

Produban is a Spanish limited liability company subsidiary of Santander based in Madrid, Spain that is a global provider of IT production services for the Santander Group. It provides and maintains servers, applications, and telecommunications lines and components that various Santander entities use in their

daily activity. Produban hosts all of the equipment in appropriate data centers and provides IT systems connectivity. Produban also installs and updates software required - and contracts for - third parties' maintenance of hardware, software, and telecommunication lines. Produban is responsible for building the infrastructure part of technological projects; purchasing, installing, and configuring IT systems; and analyzing possibilities to make IT infrastructure more efficient.

## **I.A.6 Santander Global Facilities, SL ("SGF")**

SGF is a Spanish limited liability company subsidiary of Santander based in Madrid, Spain that provides services to Santander and its affiliates including integrated management of real estate, general services, physical security and employee payroll and benefits.

## **I.A.7 Geoban, S.A. ("Geoban")**

Geoban is a Spanish limited liability company subsidiary of Santander based in Madrid, Spain that is a global service provider responsible for carrying out certain operations and back-office functions for the subsidiaries of Santander.

These last four entities, the Factories, are affiliates of Santander, are legally independent of any bank within the Group, have their own capital, are self-financed through income received primarily from internal bank customers, and provide services under detailed, arm's-length contracts for each service provided. The resolution strategies for SBNA and SHUSA consider as a key element the continuity of the services provided by the Factories.

## **I.B Description of Core Business Lines**

The SIFI Rule defines CBLs as those "business lines of a Covered Company, including associated operations, services, functions, and support that, in the view of the Covered Company, upon failure would result in a material loss of revenue, profit, or franchise value."

Based on these criteria, Santander identified six CBLs in the U.S.: SBNA Core Consumer, SBNA Mortgage Banking, SBNA Commercial Real Estate, SBNA Global Banking and Markets, SCUSA Auto Lending, and SBNA Multifamily as described below.

### **I.B.1 SBNA Core Consumer**

SBNA Core Consumer is the traditional consumer banking business, excluding the residential mortgage business, conducted by SBNA out of its branch locations and on-line, which is largely in the northeast and mid-Atlantic regions of the United States. The branches offer a wide range of consumer loan products and services to customers, such as home equity loans, auto loans, and secured and unsecured lines of credits. SBNA Core Consumer attracts consumer deposits by offering a variety of FDIC-insured deposit instruments, including demand and interest-bearing demand deposit accounts, money market and savings accounts, certificates of deposit ("CDs"), and retirement savings products. The branches also offer a variety of products and services related to consumer banking on a fee basis, such as safe deposit boxes and cashiers' checks, as well as a range of small business products and services, including small business loans, transaction accounts, and related services, to small businesses and individuals. The CBL includes the banking business described above and the associated consumer and small business loan portfolios.

### **I.B.2 SBNA Mortgage Banking**

SBNA Mortgage Banking is a traditional mortgage banking business which includes originating and purchasing fixed-rate and adjustable rate residential mortgage loans that are secured by underlying 1-4 family residential properties. A portion of SBNA's fixed-rate mortgage loan production is sold to investors in the secondary market. SBNA also services residential real estate loans for the benefit of others, owning the mortgage servicing rights ("MSRs") for this portfolio.

### **I.B.3 SBNA Commercial Real Estate**

SBNA Commercial Real Estate ("CRE") is a traditional commercial real estate loan business operating primarily in the northeastern and mid-Atlantic regions of the United States, offering a full complement of real estate loans, including construction, term, bridge, and REIT loans. The CBL includes commercial real estate loan origination and loan servicing capacity, as well as asset portfolios. Loans may include interests in syndicated loans; SBNA may also buy and sell commercial loan interests as part of its overall portfolio of commercial loans.

### **I.B.4 SBNA Global Banking and Markets**

Santander Global Banking & Markets ("GBM") covers clients that, due to their size, complexity, or sophistication, require tailored services of high value-added wholesale products. SBNA's GBM unit is a global business which leverages Santander's global capabilities and global network to cover client needs. However, SBNA's GBM unit is fully funded by SBNA and is not financially dependent upon other Santander GBM units globally. While Santander's GBM unit helps coordinate communications among Santander's global GBM units, it does not exert control over SBNA's GBM unit. SBNA's GBM unit is capable of operating in isolation, without the support or coordination of Santander's other GBM units.

SBNA's GBM unit in the U.S. is based out of Boston and New York and maintains a staff of approximately 120 individuals. SBNA's GBM unit provides services in the U.S. to global clients and books the revenue from these services locally. GBM has two client coverage groups that manage client relationships: Corporate and Investment Banking and Large Corporates. GBM has three product teams which assist clients in obtaining access to certain product categories. These product teams are: Global Transactional Banking ("GTB"), Financial Services and Advisory ("FSA"), and Rates.

## **I.B.5 SCUSA Auto Lending**

SCUSA Auto Lending is an originator and servicer of auto loans offering a full spectrum of auto lending programs on direct and indirect platforms. The CBL primarily engages in the purchase, securitization, and servicing of retail installment contracts in auto finance, recreational vehicles, and other similar segments. SCUSA Auto Lending acquires retail installment contracts principally from manufacturer franchised dealers in conjunction with their sale of used and new automobiles and light duty trucks to retail consumers.

## **I.B.6 SBNA Multifamily**

SBNA Multifamily is a commercial multifamily loan business, operated primarily through mortgage brokers with a concentration of multifamily assets in the greater metropolitan New York area. The CBL includes commercial real estate loan origination and loan servicing capacity, as well as asset portfolios. Loans may include interests in syndicated loans; SBNA may also buy and sell commercial loan interests as part of its overall portfolio of commercial loans.

## I.C Summary Financial Information

For the purposes of this resolution planning, Santander, as a foreign-based Covered Company, is presenting consolidated financial information for its U.S. operations despite the fact that the entities within the U.S. operations, other than SBNA and SCUSA, are not legally, or for regulatory purposes, consolidated into SHUSA. Accordingly, certain financial information may not wholly correspond with SHUSA's public financial reporting since it includes financial information of entities that are not subsidiaries of SHUSA under U.S. securities laws.

In addition, the description of Santander's organizational structure contained in this Plan may not wholly correspond to the reports filed by SHUSA with the FRB because certain Santander subsidiaries that are engaged in activities in the United States are exempt from such filings.

Consolidated financial information for the U.S. operations of the Covered Company is included in the exhibit below.

<b>Exhibit 1.I.C - 1: Santander U.S. Consolidated Balance Sheet as of December 31, 2013</b>			
<b>Assets</b>	<b>(\$mm)</b>	<b>Liabilities and Equity</b>	<b>(\$mm)</b>
Cash and Due From Banks	31,834	Deposits	81,093
Investment Securities	18,538	Debt Obligations	23,338
Loans	62,801	Other Liabilities	10,631
Allowance for Loan Losses	(998)	Total Liabilities	115,062
Goodwill and Intangibles	3,466		
Fixed Assets	843	Shareholders' Equity	17,087
Other Assets	15,666		
<b>Total Assets</b>	<b>132,149</b>	<b>Total Liabilities and Equity</b>	<b>132,149</b>

Production of financial statement information is driven by the consolidation of the respective entities within the U.S. operations of Santander. Consolidation activities are based upon the aggregation of asset and liability values in addition to the removal of related intercompany transactions. To arrive at values for the U.S. operations of Santander, consolidation activities occur across all the entities that operate within the U.S. The financial information for these individual entities, representing the consolidating schedule for purposes of this Plan, has been included in the exhibit below.

**Exhibit 1.I.C - 2: Santander Group U.S. Unconsolidated Balance Sheet as of December 31, 2013**

(\$mm)	SHUSA	Santander BanCorp	Intl. Private Bank – Miami	Santander NY	Abbey U.S.	Others
Cash and Due From Banks	4,227	1,098	4,468	13,339	8,108	593
Investment Securities	12,467	232	—	142	5,698	—
Loans	50,051	5,348	2,907	4,392	58	45
Allowance for Loan Losses	(834)	(127)	(2)	(35)	—	—
Goodwill and Core Deposit Intangibles	3,466	—	—	—	—	—
Fixed Assets	816	17	5	5	—	—
Other Assets	6,952	1,040	162	7,366	147	2
<b>Total Assets</b>	<b>77,144</b>	<b>7,608</b>	<b>7,540</b>	<b>25,209</b>	<b>14,011</b>	<b>640</b>
Deposits	49,521	5,637	6,611	15,929	3,199	200
Debt Obligations	12,377	—	56	167	10,738	—
Other Liabilities	1,701	142	85	8,595	105	3
<b>Total Liabilities</b>	<b>63,599</b>	<b>5,779</b>	<b>6,752</b>	<b>24,691</b>	<b>14,041</b>	<b>203</b>
Other	—	—	—	356	—	—
Capital	12,405	1,382	487	290	45	410
Warrants	—	—	—	—	—	—
OCI	(254)	(24)	—	—	—	—
Retained Earnings	1,394	470	301	(129)	(75)	27
<b>Total S.H. Equity</b>	<b>13,545</b>	<b>1,829</b>	<b>788</b>	<b>517</b>	<b>(30)</b>	<b>437</b>
<b>Total Liabilities &amp; Equity</b>	<b>77,144</b>	<b>7,608</b>	<b>7,540</b>	<b>25,209</b>	<b>14,011</b>	<b>640</b>

## I.C.1 Capital

Capital for Santander U.S.'s operations is primarily held within SHUSA, SBNA, and SCUSA. SHUSA, as a bank holding company under federal regulations, is required to prepare an annual capital plan and is required to maintain prescribed regulatory capital ratios in accordance with FRB requirements. Capital for resolution planning purposes is described below.

**Exhibit 1.I.C - 3: SHUSA Consolidated Capital Ratios as of December 31, 2013**

Detail	SHUSA (Consolidated)
Tier 1 Common	\$8.8bn
Tier 2 Capital	\$1.4bn
Risk Weighted Assets	\$62.8bn
Tier 1 Common	14.0%
Tier 1 Risk Based Capital Ratio	14.7%
Leverage Ratio	12.8%

SHUSA maintains “well capitalized” capital ratios under the FRB’s requirements. Its Tier 1 Common ratio is well above the FRB’s minimum for Tier 1 Common ratios.

## I.C.2 Sources of Funds

SHUSA's borrowing profile is displayed on a consolidated and a stand-alone basis below. SHUSA is primarily funded by debt issuances and capital contributions from Santander and dividends and distributions from SBNA and SCUSA.

<b>Exhibit 1.I.C - 4: SHUSA Borrowings as of December 31, 2013 (\$mm)</b>		
<b>Debt Summary</b>	<b>Consolidated</b>	<b>Unconsolidated</b>
Short-Term	3,960.0	—
Long-Term	6,564.0	1,572.4
<b>Total Wholesale Borrowings</b>	<b>10,524.0</b>	<b>1,572.0</b>
Senior	1,572.4	1,572.4
Subordinated	1,440.0	756.8
Real Estate Investment Trust ("REIT") Preferred	152.0	—
<b>Total Bank Debt</b>	<b>3,164.0</b>	<b>2,329.2</b>
Secured	—	—
Unsecured	2,329.2	2,329.2
Trust Preferred	260.3	260.3
<b>Total Bancorp Debt</b>	<b>2,589.5</b>	<b>2,589.5</b>
Brokered Deposits	1,417.0	—
Non-Brokered Deposits	48,211.1	—
<b>Total Deposits</b>	<b>49,628.1</b>	<b>—</b>

SHUSA's subordinated debt includes a \$750mm note issued to Santander. This note bears interest at 5.75% per annum.

The Long-Term Debt Schedule below reflects that the majority of SHUSA's debt matures in 2015 and beyond. Its first debt matures in 2015.

<b>Exhibit 1.I.C - 5: SHUSA Unconsolidated Debt Schedule as of December 31, 2013</b>	
<b>Long-Term Debt Schedule</b>	<b>(\$mm)</b>
2014	—
2015	599.0
2016	474.3
2017	—
2018	499.1
2019 +	1,017.1
<b>Total Long-Term Debt</b>	<b>2,589.5</b>

## **I.D Description of Derivative and Hedging Activities**

In the United States, U.S. Material Entities engage in derivatives activities for balance sheet-related interest rate risk hedging purposes and to meet customer needs. None of Santander's U.S. Material Entities is a market maker in derivative products nor do any use derivatives for speculative purposes.

As part of their overall risk hedging strategies, the U.S. Material Entities use derivative contracts as hedges to mitigate exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, and to mitigate exposure to variability in expected future cash flows. The majority of derivative contracts are booked at SBNA. However, SHUSA and SCUSA may book derivative positions from time to time to mitigate interest rate risk.

To satisfy customer needs, SBNA offers derivative products to its customers based on each customer's needs. When a customer request for a derivative product is received, SBNA executes the transaction with the customer, if appropriate. In addition, SBNA enters into an offsetting derivative transaction to immediately eliminate the risk of the position on the Bank's balance sheet.

## I.E Memberships in Material Payment, Clearing, and Settlement Systems

SBNA is a member in material payment, clearing, and settlement systems, also known as Financial Market Utilities ("FMUs"), as set forth in the chart below. FMUs allow SBNA to conduct financial transactions, provide payment services, and perform derivatives transactions as needed to manage risk, secure funding, and meet the needs of customers and clients.

<b>Exhibit 1.I.E - 1: Santander FMU Overview</b>	
<b>System</b>	<b>Purpose</b>
Fedwire Funds	Fedwire Funds is a wire service for payments from institutional counterparties. Customers who do not have a DDA at Santander Bank, N.A. can choose to send wires via the Fedwire system.
FedACH	FedACH is a batched payment service that enables an electronic exchange of debit and credit transactions through the Automated Clearing House ("ACH") network.
Fed Check Image Clearing	Check Image Clearing provides image capture of all check items presented by the Federal Reserve Banks and associated clearing services.

## **I.F Descriptions of Foreign Operations**

No material components of Santander's U.S. operations are based outside the United States. Santander's U.S. operations do not have any foreign subsidiaries or offices. SBNA does have an electronic banking facility in the Cayman Islands that provides a vehicle for its Eurodollar sweep accounts, a standard product offered in the industry, which invests client deposits automatically overnight in Eurodollar accounts to maximize interest earned. As of December 31, 2013, SBNA had approximately \$516.1mm reported on the Call Report, Schedule RC-E in this electronic banking facility.

SBNA has a Class B license from the Cayman Islands government which allows it to accept electronic deposits outside the U.S. However, under this license class, the deposits are neither considered onshore to the Cayman Islands nor to the U.S.

## **I.G Material Supervisory Authorities**

As a Spanish financial services company, Santander is subject to prudential supervision by the Bank of Spain. If Santander were to be resolved or taken over in the event of a failure, the Bank of Spain would normally designate the Fund for the Orderly Restructuring of the Banking Sector (the “FROB”) as a “special manager” to assume control of Santander and its domestic subsidiaries. Santander’s foreign subsidiaries, including those based in the U.S., are also subject to local laws, regulations, and supervision administered by the regulators in those countries. Santander’s U.S. operations are subject to the extensive regulatory framework applicable to bank holding companies, banks, and U.S. branches of foreign banks.

Since Santander is a financial holding company with subsidiaries located in the U.S., its U.S. operations are subject to the supervision and regulation of the FRB, as is SHUSA, a bank holding company. As a Securities and Exchange Commission (“SEC”) registrant, SHUSA is also subject to applicable SEC regulations and financial reporting and filing requirements.

As a national bank, SBNA is subject to primary regulation, supervision and examination by the OCC, and to additional banking regulation by the FDIC and the FRB. In addition, the Consumer Financial Protection Bureau (the “CFPB”) regulates SBNA’s consumer financial products and services.

SCUSA is subject to supervision by the FRB, the CFPB, and the Federal Trade Commission.

Santander NYB is subject to the supervision of the FRB and the New York Department of Financial Services. Abbey National’s U.S. branches are subject to the supervision of the FRB and the Connecticut Department of Banking. Santander’s other U.S. subsidiaries are also subject to various laws and regulations, as well as supervision and examination by other regulators, all of which directly or indirectly affect its operations and management and its ability to make distributions to stockholders. Its U.S. broker-dealer subsidiaries are subject to regulation and supervision by the SEC and FINRA with respect to their securities activities.

Additional relevant information can be found in SHUSA’s Annual Report on Form 10-K for 2013 filed with the SEC.

## I.H Principal Officers

The following chart shows SHUSA's principal officers as of August 31, 2014.

<b>Exhibit 1.I.H - 1: SHUSA Principal Officers as of August 31, 2014</b>	
<b>Title</b>	<b>Name</b>
President / Chief Executive Officer	Roman Blanco
SHUSA Chief Financial Officer and Senior Executive Vice President	Gerald Plush
Director of 4R Project (Risk, Recommendations, Regulators, Remediation) and Executive Vice President	Maria Calero
SHUSA Comptroller and Senior Executive Vice President	Guillermo Sabater
U.S. Chief Risk Officer and Senior Executive Vice President	John Corston
SHUSA Chief Internal Auditor and Executive Vice President	Enrique Larrainzar
SHUSA Managing Director of Human Resources Organizational Efficiency and Senior Executive Vice President	Carmen Briongos
SHUSA Managing Director of Technology and Operations and Senior Executive Vice President	Julio Somoza
General Counsel and Senior Executive Vice President	Christopher Pfirman
U.S. Chief of Recovery and Resolution Planning and Executive Vice President	Mark duBose

## I.I Resolution Planning Corporate Governance Structure and Processes

Governance of this Resolution Plan integrates oversight by key stakeholders and senior executives from Santander U.S.'s MEs and CBLs, with review and recommendation for approval from certain management committees and SHUSA's Boards of Directors.

Santander has delegated authority for oversight and approval of the Plan to Roman Blanco, the Santander U.S. Country Head and CEO of SHUSA. In order to obtain approval from the Santander U.S. Country Head and CEO of SHUSA, SHUSA's Boards of Directors reviews and provides recommendations for approval of the Plan. Prior to review by the SHUSA Board of Directors, other supporting governing committees provide oversight to development and approval of the Plan.

The highest U.S. board-level and management-level committees overseeing this Plan are the Board Capital Committee (the "BCC") and the Management Capital Committee (the "MCC").

The MCC is a management committee formed, in part, to monitor the development and oversight of the resolution planning process. MCC members include: SHUSA Chief Financial Officer (Chair); SHUSA Chief Risk Officer; SCUSA Chief Financial Officer; SBNA Deputy Chief Financial Officer; SHUSA Comptroller; SHUSA Managing Director of Technology and Operations; SHUSA CCAR Managing Director; SHUSA Managing Director of Human Resources and Organizational Efficiency; and SBNA Chief Risk Officer. SHUSA's Chief Internal Auditor attends in an observer capacity.

The MCC meets weekly and reviews the progress of this Plan and addresses any issues which may arise during its development and to fulfill the following roles:

- Provide strategic oversight to this Plan's preparation and review process;
- Approve the U.S. resolution planning project and business-as-usual ("BAU") governance and oversight framework, including any required policies, procedures, and internal controls;
- Determine and allocate appropriate resources and budget for all U.S. resolution planning efforts and initiatives;
- Approve U.S. resolution planning project or governance charters, project plans, time lines, and milestones;
- Monitor the resolution project status and resolve any issues arising from resource or prioritization conflicts;
- Review, make, and/or approve all key resolution planning strategies and methodologies, including any significant scoping or approach change decisions;
- Conduct regular committee meetings to monitor and review the resolution planning project status; and
- Communicate progress and/or issues to SHUSA's and SBNA's EMCs, SHUSA and SBNA's Board of Directors, or Santander's Board of Directors as appropriate.

The Santander Group has also created the Local Living Wills Office ("LLWO"), a management office to oversee and design the resolution planning governance process and manage the day-to-day resolution plan development and execution. Specifically, the LLWO fills the following roles:

- Perform detailed analysis of rules and guidance;
- Design resolution planning governance and processes;
- Oversee day-to-day plan development, execution, and project management;
- Recommend action and escalate issues and critical decisions to the MCC;
- Design and implement a resolution planning policy;
- Provide oversight and assist with identification of initiatives designed to enhanced resolvability of the organization;
- Define terms and maintain documentation of analysis and implementation efforts;
- Produce, assemble, and deliver this Plan and documentation for approvals; and
- Coordinate with the Santander Corporate Living Wills Office ("CLWO").

## I.J Description of Material Management Information Systems

The Material Entities in which the CBLs reside, SBNA and SCUSA, utilize management information systems (“MIS”) for risk management, accounting, financial, and regulatory reporting, as well as internal management reporting and analysis. These systems are primarily platform technologies with interface applications that are used to collect, maintain, and report information to management and externally for regulatory compliance. The MIS are also used by the CBLs to perform the functions necessary to run their businesses and operations. Below is a brief description of MIS as it applies to SBNA and SCUSA.

### I.J.1 SBNA

The majority of the MIS software used by SBNA has been developed internally and is supplemented with third-party vendor-developed applications. Governance, control, and maintenance of critical applications are the primary components of the Material Entities’ technology process, which emphasizes minimal recovery times in the event of disruption. Although all systems and applications are essential to smooth and effective operations, SBNA classifies “key” systems to be all systems necessary to originate, underwrite, service, transact, manage, and report to regulators for products and accounts associated with its five CBLs: SBNA Core Consumer, SBNA Mortgage Banking, SBNA Commercial Real Estate, SBNA Global Banking and Markets, and SBNA Multifamily.

At SBNA, MIS falls under the Technology and Operations group’s responsibility. Material Entities that are involved with MIS activities are:

- Isban: Responsible for application development and support of in-house applications. “Partenon,” also known as the “Santander IT Core,” is a product of Isban and serves as SBNA’s core IT platform.
- Produban: Responsible for infrastructure management and operations of in-house applications and certain key third-party systems.

The Chief Information Officer (“CIO”) is responsible for providing the technology in accordance with corporate policies and for the control of services provided by Isban and Produban. On an annual basis, the CIO develops a plan with the systems’ requirements, in accordance with the business’ needs, which are produced by the Factories.

### I.J.2 SCUSA

At SCUSA, MIS is managed by the in-house information technology group. While some of its key systems are developed internally, several systems are obtained through third-party software providers. SCUSA classifies all systems with a recovery time of 24 hours or less as “key” and vital to its business and operations.

MIS focuses on analytic and reporting systems, key reports, and the general process for regulatory access to MIS, and is provided by in-house as well as by third-party systems.

## I.K High-Level Description of Resolution Strategy

As required by the SIFI Rule, this Plan assumes that a series of idiosyncratic events, beginning on January 1, 2014, causes the failure of the Covered Company and its U.S. MEs. These events are examined under the Baseline, Adverse, and Severely Adverse conditions as described by the FRB in its Q3 2013 Comprehensive Capital Analysis and Review process.

This Plan describes a strategy for resolving Santander's U.S. operations, including its U.S. MEs and the six CBLs that operate within those MEs, in a manner that would substantially mitigate the risks that the resolutions would have serious adverse effects on U.S. or global financial stability.

The Covered Company does not conduct any COs within the U.S. or through its MEs or CBLs.

This Plan includes strategies designed to ensure continuity of the CBLs during the hypothetical resolution of the MEs. The strategies incorporate the importance of continued access to critical services including, but not limited to, technology, employees, facilities, and supplier relationships.

Under the Plan's hypothetical resolution scenario, SBNA would be placed into FDIC receivership and other MEs that are subject to U.S. resolution regimes would be placed into bankruptcy under Chapter 7 or Chapter 11 of the U.S. Bankruptcy Code.

### I.K.1 Resolution of SBNA

In each of the resolution strategies proposed for SBNA, the OCC would close SBNA and place it into FDIC receivership at the close of business on Friday afternoon at the end of a 30-day runway period ("Runway Period"). In addition, in each of the resolution strategies, a P&A transaction would include substantially all of SBNA's assets, including all of its CBLs, and all of SBNA's insured deposits (i.e., a "whole bank" P&A transaction). A number of insured depository institutions have been identified as purchasers capable of acquiring SBNA in an orderly resolution, whether directly from the receiver or through a bridge bank transaction, as described below.

1. **Whole Bank Sale over Resolution Weekend.** The least costly resolution strategy for SBNA is for the FDIC to complete a whole bank P&A Transaction pursuant to which a healthy, qualified financial institution would assume all insured deposits and purchase substantially all of the assets of SBNA, including its CBLs, over the weekend following the Runway Period. The purchaser would also assume all uninsured deposits if it was determined the offer would maximize the return from the sale and minimize losses. The purchaser would open SBNA's former branches for business on the Monday morning following the Resolution Weekend and would continue to operate the CBLs.
2. **Bridge Bank Resolution.** If a whole bank sale of SBNA could not be consummated with another financial institution over the Resolution Weekend, the FDIC would likely establish a new bank, chartered by the OCC and run by the FDIC (a "Bridge Bank") as authorized by the Competitive Equality Banking Act of 1987. The FDIC would enter into a whole bank P&A transaction with the Bridge Bank over the Resolution Weekend, and the Bridge Bank would open for business on the Monday following the Resolution Weekend, ensuring the timely availability of deposits. The Bridge Bank would be operated briefly by the FDIC and the CBLs would continue to operate within the Bridge Bank. The Bridge Bank could be resolved by the FDIC in a whole-bank P&A Transaction or by selling its CBLs separately. The preferred resolution strategy would be for the Bridge Bank, including the CBLs, to be sold as quickly as possible as part of a whole bank P&A transaction with a healthy, qualified buyer. If the CBLs were to be sold separately, the SBNA GBM CBL would likely be sold as a separate entity. It would then maximize the market value to

sell the remaining CBLs as a lot to a single buyer because more value is expected when these CBLs are funded by the deposits from the Core Consumer CBL.

If the Bank could not be resolved by the FDIC in a whole-bank P&A Transaction or by selling its CBLs separately, the FDIC could eventually wind down the Bridge Bank and the CBLs over the Bridge Bank's two-year statutory duration.

## **I.K.2 Resolution of SHUSA**

The preferred resolution strategy for SHUSA would be liquidation under Chapter 7 or Chapter 11 of the Bankruptcy Code. No material obstacles have been identified in connection with an orderly resolution of SHUSA.

The resolution strategies for SBNA and SHUSA mentioned above consider as a key issue the continuity of the services provided by the Factories, which is assured by the following factors:

- Legally, the Factories provide services under contracts which govern the relationships, with detailed service agreements which are established for each function, including a provision for continuity of the services for up to 24 months in a resolution event.
- Financially, the Factories are entities that are well capitalized, self-financed through income obtained from a geographically diversified customer base, and flexible as their cost structure is based largely on variable costs.

## **I.K.3 Resolution of SCUSA**

The preferred resolution for SCUSA and its CBL would be a sale of all of its assets as a going concern to a single buyer. If a prospective purchaser for all of SCUSA's business could not be found, SCUSA would seek purchasers for various business lines and classes of assets. Chapter 11 of the Bankruptcy Code would be used as a vehicle to facilitate the sale because of the ability of a debtor under Chapter 11 to sell its assets free and clear of all other interests, and because a competitive sales process, using a "stalking horse" (the first prospective buyer to enter into a binding agreement to purchase the material assets of a company through the bankruptcy process) buyer identified prior to filing the Chapter 11 petition, would be the most likely way of generating the highest sales price for the business.