

SBP 8-K 12/7/2007

Section 1: 8-K (SANTANDER BANCORP)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): December 7, 2007

Santander BanCorp

(Exact name of Registrant as specified in its charter)

Commonwealth of Puerto Rico
*(State or other jurisdiction of
Incorporation or organization)*

001-15849
(Commission File No.)

66-0573723
*(I.R.S. Employer
Identification No.)*

**207 Ponce de León Avenue
San Juan, Puerto Rico 00917**
*Address of Principal Executive Offices,
Including Zip Code*

(787) 777-4100
*Registrant's telephone number,
including area code*

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
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ITEM 7.01. Regulation FD Disclosure

The executive officers of Santander BanCorp (the "Corporation") intend to utilize the presentation attached as Exhibit 99.1 to this Current Report on Form 8-K, in whole or in part, at presentations and meetings with analysts and investors.

The information presented in this Current Report on Form 8-K may contain forward-looking statements and certain assumptions upon which such forward-looking statements are in part based. Numerous important factors, including those factors identified in the Corporation's Annual Report on Form 10-K and other of the Corporation's filings with the Securities and Exchange Commission, and the fact that the assumptions set forth in this Current Report on Form 8-K could prove incorrect, could cause actual results to differ materially from those contained in such forward-looking statements.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Slide show presentation materials for investors and analysts.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned hereunto duly authorized.

SANTANDER BANCORP

By: /s/ Carlos M. García

Carlos M. García
Senior Executive Vice President and
Chief Operating Officer

Date: December 7, 2007

Section 2: EX-99.1 (EX-99.1 SLIDE SHOW PRESENTATION)



Santander BanCorp

(NYSE: SBP, Latibex: XSBP)

Investor Presentation **3Q-2007**

December 7, 2007



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Forward Looking Statements

This presentation contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the financial condition, results of operations and business of Santander BanCorp that are subject to various risk factors and conditions which could cause actual results to differ materially from historical results or from past results contained herein. Such factors include, but are not limited to, the possibility that adverse general market macro-economic, governmental, legislative and regulatory conditions could develop, an adverse interest rate environment, competitive pressures, technological developments, the ability of management to effectively implement the Company's strategies, increases in delinquency rates of borrowers and other factors described in the Company's periodic filings with the U.S. Securities and Exchange Commission. Santander BanCorp is not under any obligation (and expressly disclaims any such obligation) to publicly update or revise its forward-looking statements or any information contained herein.



Agenda

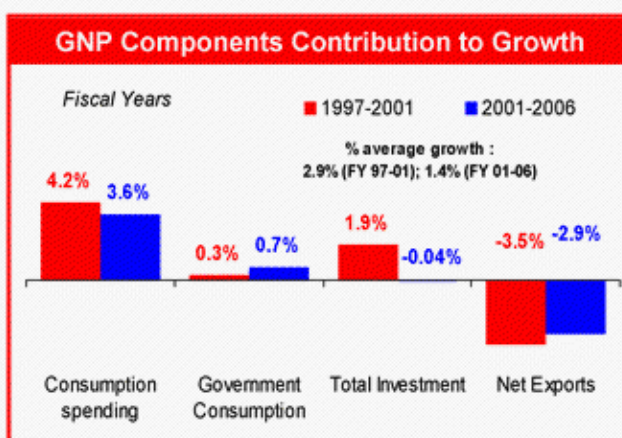
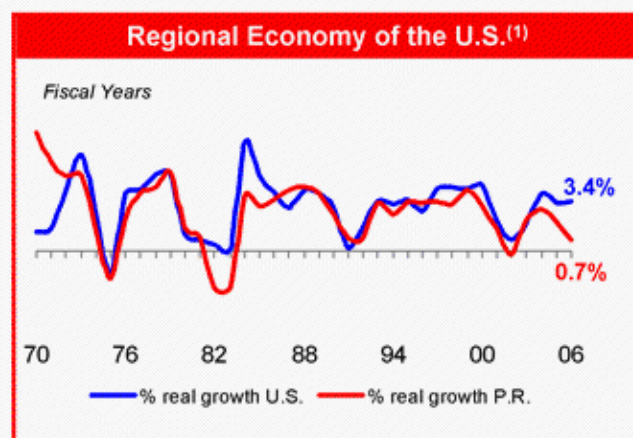
- **Puerto Rico**
 - **Introduction to Santander BanCorp**
 - **Business Highlights**
 - **Financial Performance**
 - **Asset Quality**
 - **Asset/Liability Management**

Puerto Rico – Economic Trends

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Highlights:

- Puerto Rico is a regional economy of the U.S. Its business cycle has moved in tandem with the U.S. cycle until recent years when the local economy began to experience an economic slowdown and the U.S. a period of moderate economic expansion.
- One factor explaining Puerto Rico's recent economic downturn is the contraction in total investment since 2001. Meanwhile, consumer spending remained the main driver of the moderate economic growth during the first half of the 2000s.



1) Based on Puerto Rico's fiscal year which consists of the 12-month period ending in June 30th. The U.S. data was adjusted to make it comparable with Puerto Rico's fiscal year. The U.S. economic growth is based on the real growth rate of GDP, while Puerto Rico's growth is based on the real growth rate of GNP.



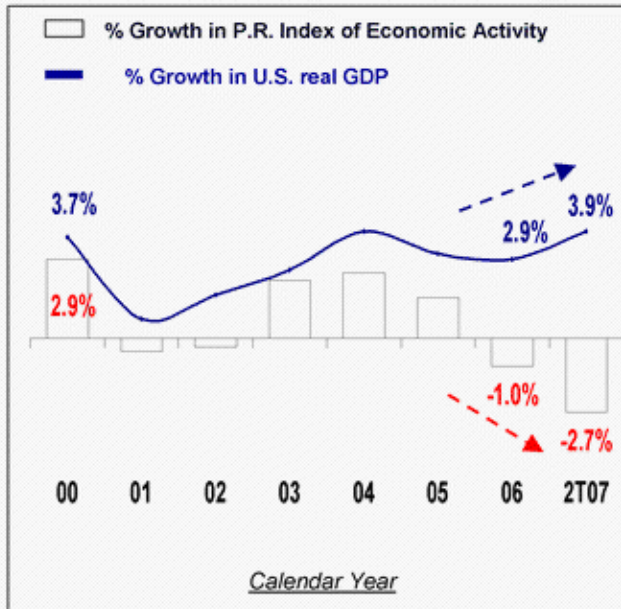
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Puerto Rico – Economic Trends

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Data as of 2Q-07 shows that the local recession is persisting while the U.S. economic activity continued growing

Evolution of P.R. and U.S. Economic Activity



Summary of Current Economic Condition

- Weak labor market
- Slowdown in commercial activity
- Contraction in construction
- Increase in total bankruptcies by 30% in the 3Q-07 compared to 3Q-06
- Eroding purchasing power amidst rising inflation and sluggish growth in real wages
- Lower deposits and deterioration in credit quality leading to a surge in non-performing loans

Source: Puerto Rico Planning Board



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Puerto Rico – Financial System

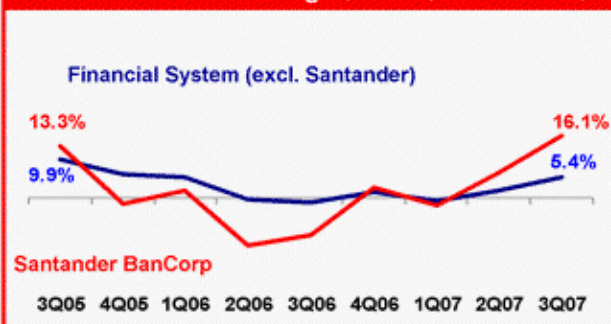
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Ranking of Top 4 Financial Institutions

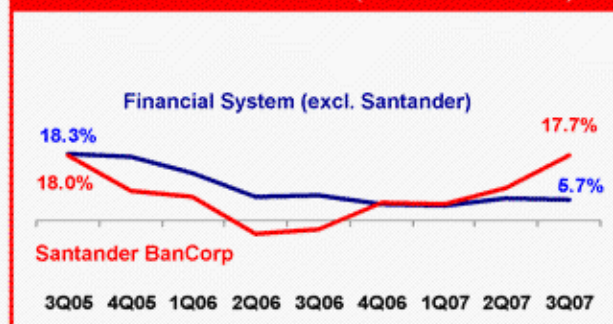
Percentages correspond to market shares as of Sep-30-07.

Rank	Business Volume ¹	Client Deposits	Wealth Mgmt. ²	Consumer Loans ³	Bank Insurance ⁴	Mortgage Prod.	Commercial Loans	Bank NPLs/TL ⁵	Credit Ratings
1	Popular 28%	Popular 42%	UBS 64%	Popular 39%	Popular 69%	Popular	Popular 29%	BBVA 1.86%	Santander
2	Santander 14%	Santander 13%	Santander 24%	Santander 20%	R&G 15%	R&G	Western 21%	Santander 2.32%	Popular
3	Western 10%	R&G 8%	Popular 17%	Citi 14%	Santander 13%	Doral	FirstBank 13%	Popular 3.01%	
4	Firstbank 9%	Western 8%	Oriental 3%	FirstBank 8%	FirstBank 11%	Santander 9%	Santander 10%	Eurobank 3.76%	

% Growth Total Savings (Client Dep. + Mutual Funds)⁶



% Growth Total Loans (excl. Consumer Finance)



- 1) Total loans (incl. consumer finance) + client deposits + gross assets in mutual funds.
- 2) Retail assets under management at broker-dealer + gross assets in mutual funds.
- 3) Consumer loans at the Bank (excl. auto loans) + consumer finance loans.
- 4) Based on 1Q07 insurance and reinsurance commissions reported on FR Y-9C reports to the Fed.
- 5) Ranked from lowest to highest NPL/TL ratio. Based on FDIC data.
- 6) Client deposits exclude brokered CDs and Citibank P.R. Citi is excluded due to unusual deposit trends.



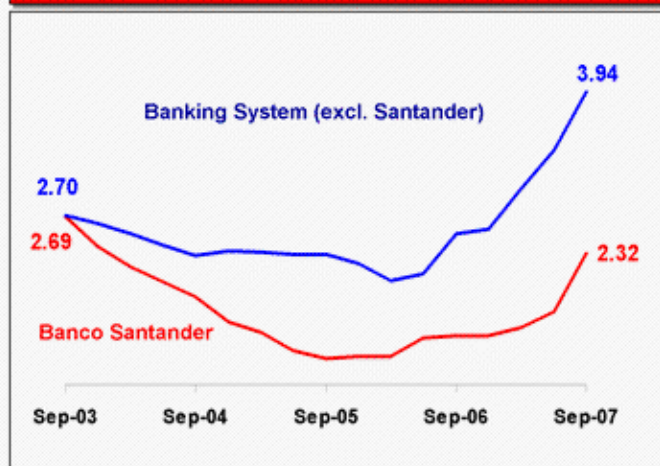
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Non-Performing Loans: Santander vs. Industry Avg.

Non-Performing Loans – Total and Residential

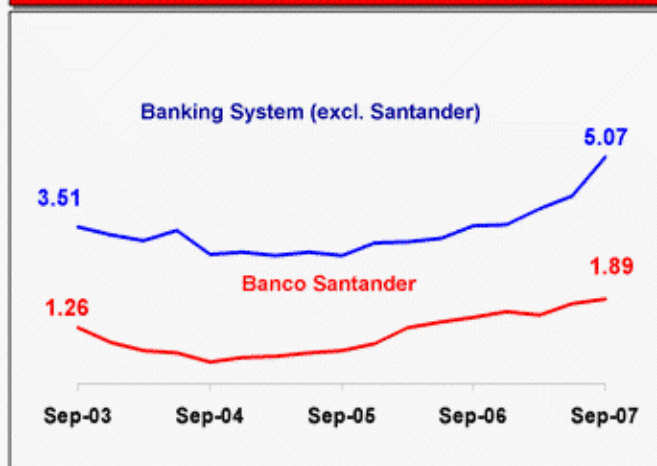
Total Non-Performing Loans, %

(FDIC Data)



Residential Non-Performing Loans, %

(FDIC Data)



* The system is estimated as the average of the 10 commercial banks in Puerto Rico excluding Banco Santander Puerto Rico (BSPR). Cilibank Puerto Rico is excluded due to insufficient information.
Source: FDIC.

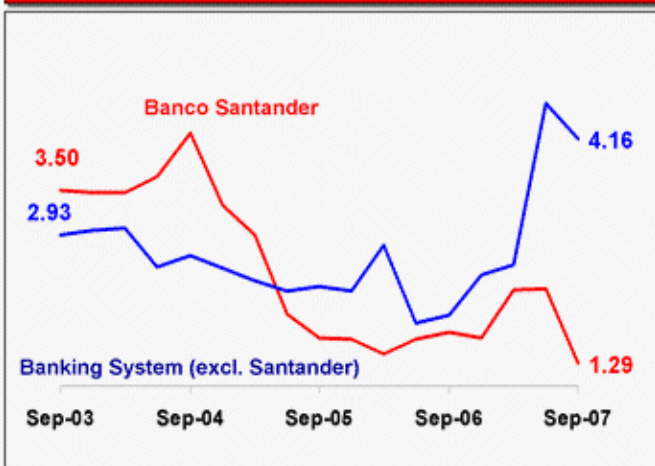


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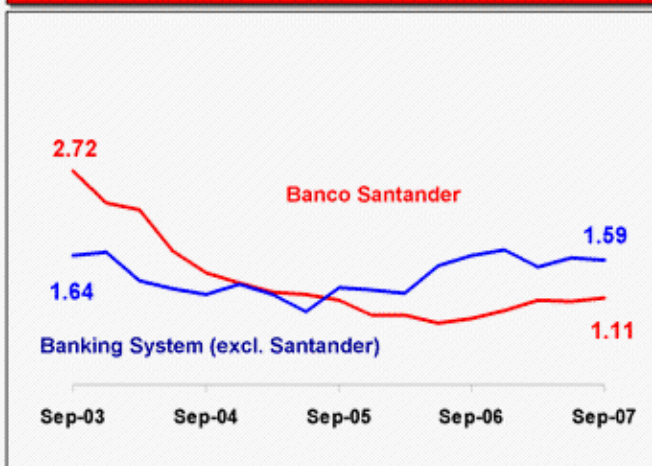
Non-Performing Loans: Santander vs. Industry Avg.

Non-Performing Loans: Commercial + Ind. and Consumer

Comm. + Ind. Non-Performing Loans, %
(FDIC Data)



Consumer Non-Performing Loans, %**
(FDIC Data)



* The system is estimated as the average of the 10 commercial banks in Puerto Rico excluding Banco Santander Puerto Rico (BSPR). Cilibank Puerto Rico is excluded due to insufficient information. Source: FDIC. **Include loans to individuals other than credit cards plans for all banks.



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- Puerto Rico
- **Introduction to Santander BanCorp**
- **Business Highlights**
- **Financial Performance**
- **Asset Quality**
- **Asset/Liability Management**

30-year presence in Puerto Rico

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Santander BanCorp



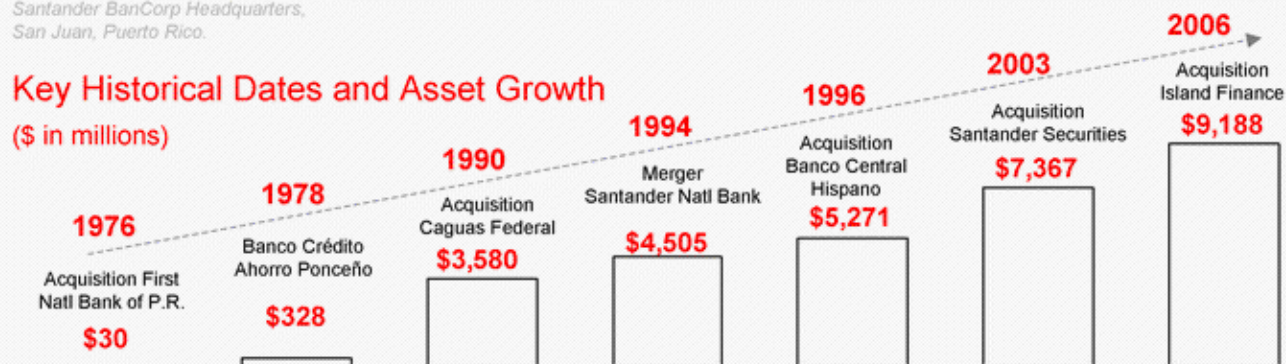
Santander BanCorp Headquarters,
San Juan, Puerto Rico.

Franchise in Puerto Rico (as of Sep-30-07)

- + 520,000 clients / \$14.2 billion in customer financial assets
- \$9.2 billion in assets / \$7.0 billion in gross loans
- \$6.1 billion in deposits / \$530 million in equity
- \$456 million in mkt. cap.⁽¹⁾ / 6.54% dividend yield
- 2004-2006 Bank of the Year in Puerto Rico by The Banker
- 2003-2004 and 2006 Best Internet Bank by Global Finance
- 2007 Best Puerto Rico Bank by Global Finance

Key Historical Dates and Asset Growth

(\$ in millions)



(1) Market capitalization as of Nov-30-2007.



Santander

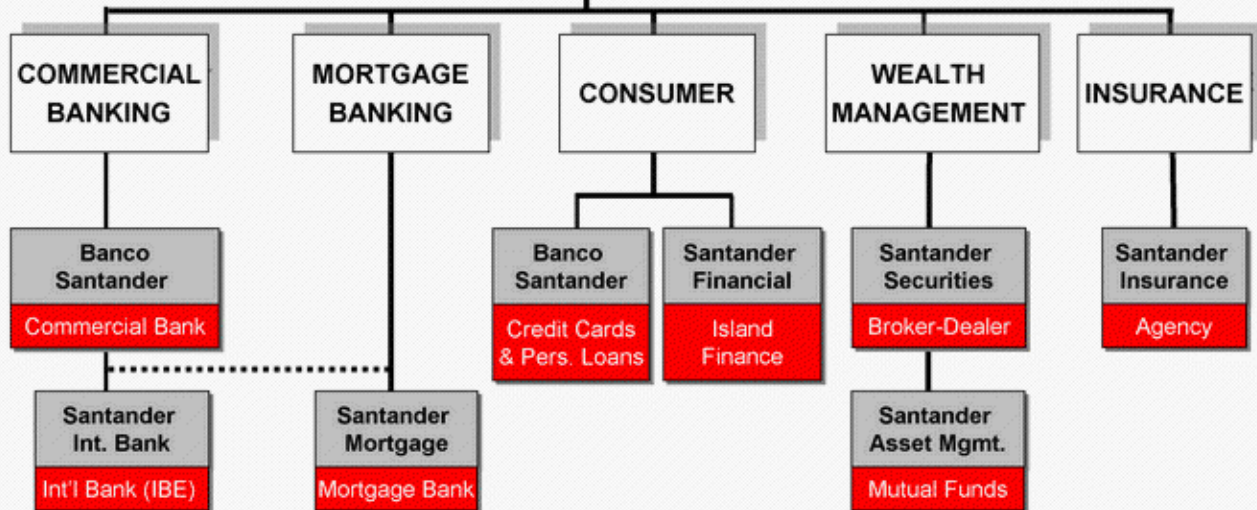
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Corporate Structure

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91% owned
by Santander (Spain)



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Santander (Spain): Majority Shareholder

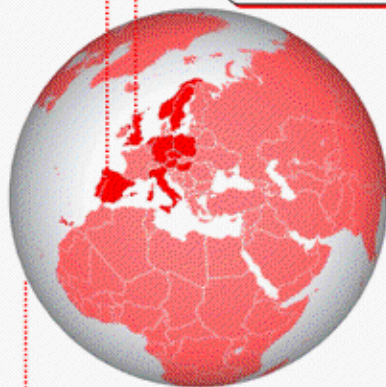
Main Business Regions (2006 data)

Continental Europe

- Customers: 12.3 million
- Branches: 5,450

United Kingdom

- Customers: 16.9 million
- Branches: 712



Latin America

- Customers: 23.1 million
- Branches: 4,333

Highlights on Santander (Spain)

- Founded in 1857
- 1st in EuroZone and among top 10 in the world⁽¹⁾
- Global reach: + 40 countries, 69 million clients, and 10,500 branch offices
- \$1.2 trillion in total assets as of Sep-30-07
- \$60.4 BN in equity as of Sep-30-07
- \$9.0 BN in net income in as of Sep-30-07, up 44%
- 24.8% stake in Sovereign Bank
- +\$134 billion in market cap (as of Nov-28-07)
- Puerto Rico among oldest international investments

(1) Ranked by market cap as of Oct-30-07.



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Santander: Debt Ratings

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Santander BanCorp				
	Long-Term	Short-Term*	Outlook	Last Ratings Update
S&P	A	A-1	Stable	May-29-07
Fitch	AA-	F1+	Stable	Jun-12-07
Moody's (BSPR only)	A2	n.a.	Negative	Nov-29-07

Santander (Spain)				
	Long-Term	Short-Term*	Outlook	Last Ratings Update
S&P	AA	A1+	Stable	May-29-07
Fitch	AA	F1+	Stable	Jun-08-07
Moody's	Aa1	P1	Stable	Jul-17-07
DBRS	AA	R1 (high)	Stable	Jun-12-07

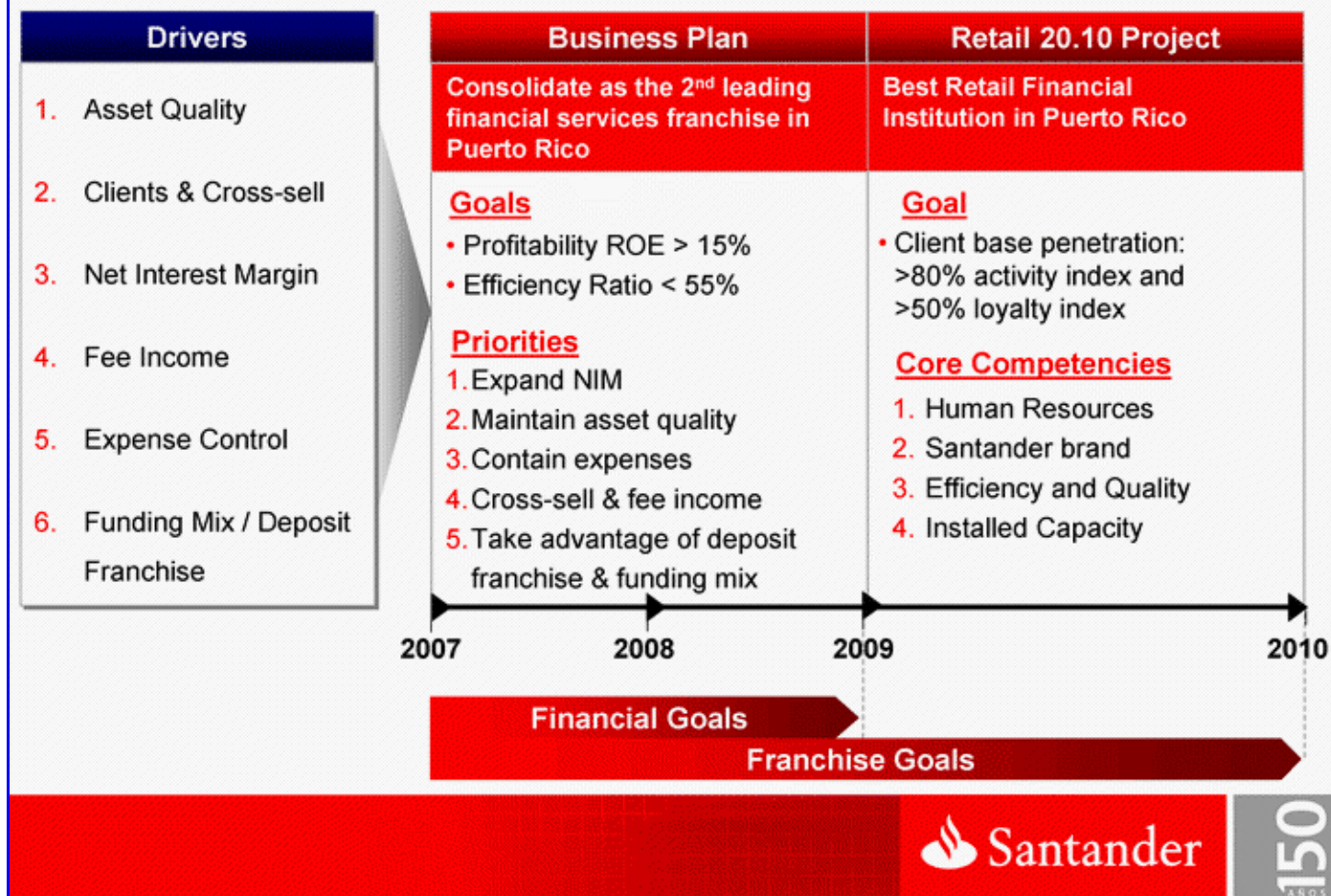
* The highest rating levels for short-term debt are: 'A1' for S&P; 'P1' (Prime-1) for Moody's, 'F1' for Fitch and 'R1' for DBRS.
Source: SNL. Data downloaded on Jun-26-07.



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Business Plan

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Agenda

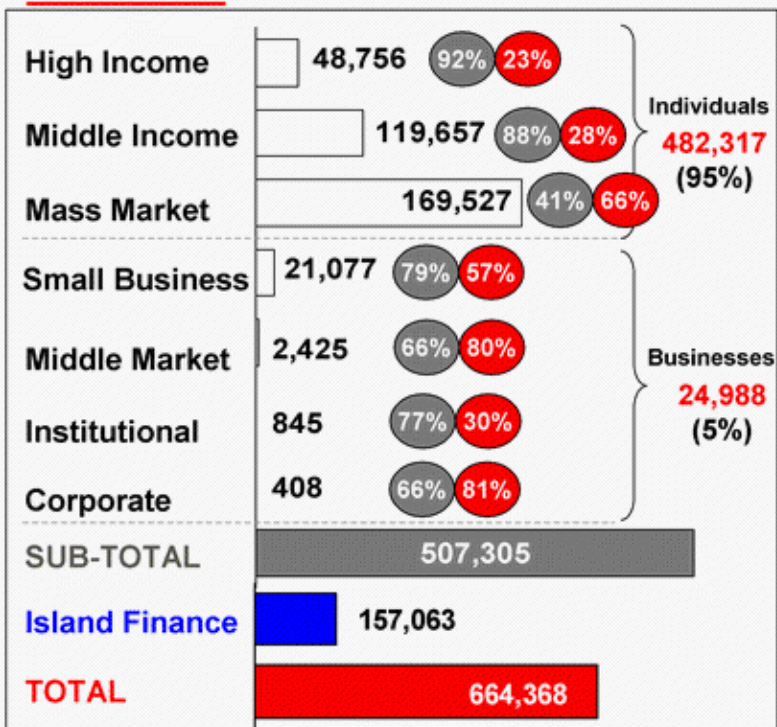
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Clients, Cross-Sell and Distribution

(As of Sep-30-07)

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Client Base:



Cross-Sell Ratios¹:

- Activity Index¹: 68%
- Loyalty Index²: 40%

Distribution Channels:

- Banking Branches: 61
- Consumer Finance Stores: 69
- Mortgage Centers: 33
- Wealth Mgmt. Offices: 4
- Insurance Offices: 2
- Telephone Banking (Bank call ctrs.): 1
- ATMs: 142

(1) Activity index represent active clients (min. 3 transaction in last 90d for individuals and 15 transactions for businesses) as a percent of total clients.

(2) Loyalty index is loyal clients as a percent of active clients. Loyal clients are: individuals with a deposit account + debit card + an additional 1-3 products; small business with deposit account + cash mgmt or 10 transactions + 1 additional product; middle market with 3 of any 6 products; and institutional and corporate with 3 of any 7 products.

Note: Figures for cross-selling ratios do not include Island Finance.



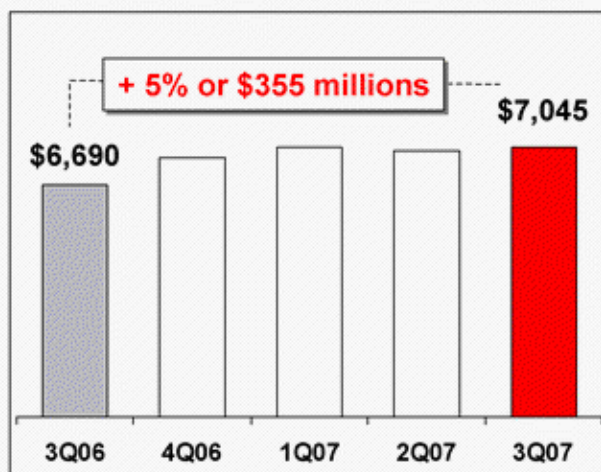
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Business Volume

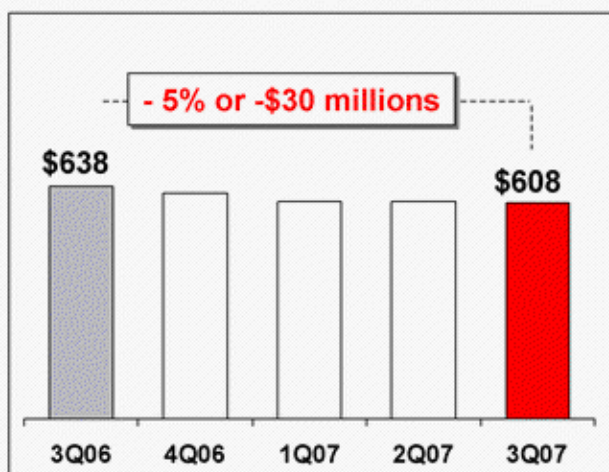
- + 5% year over year loan growth

\$ in Millions

Total Loans



Consumer Finance Loans



	3Q06	3Q07	\$ Ch.	% Ch.
Total Loans	\$6,690	\$7,045	\$355	5%
Mortgage	\$2,549	\$2,724	\$175	7%
Commercial	\$2,921	\$3,042	\$122	4%
Consumer Lending	\$582	\$670	\$89	15%
Consumer Finance	\$638	\$608	-\$30	-5%



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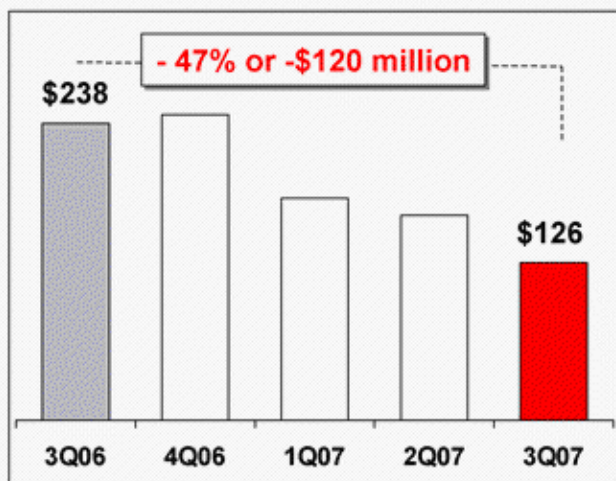
Business Volume

18

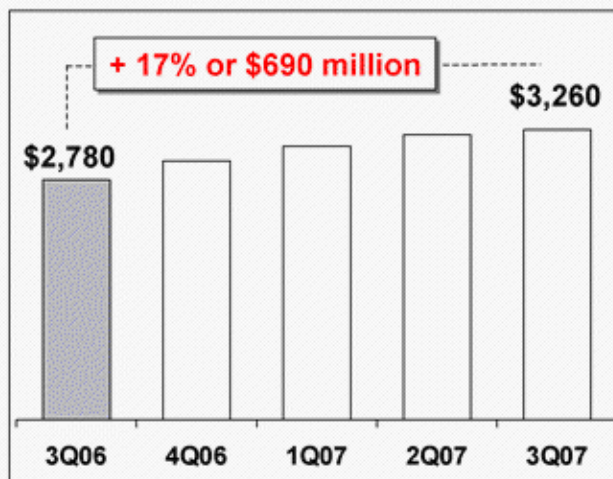
- Mortgage production declined with the implementation of a tighter underwriting policy. Servicing increased 17% on a year to year basis.

\$ in Millions

Mortgage Production



Servicing Portfolio⁽¹⁾



(1) Includes mortgages service for Banco Santander P.R. and third parties.



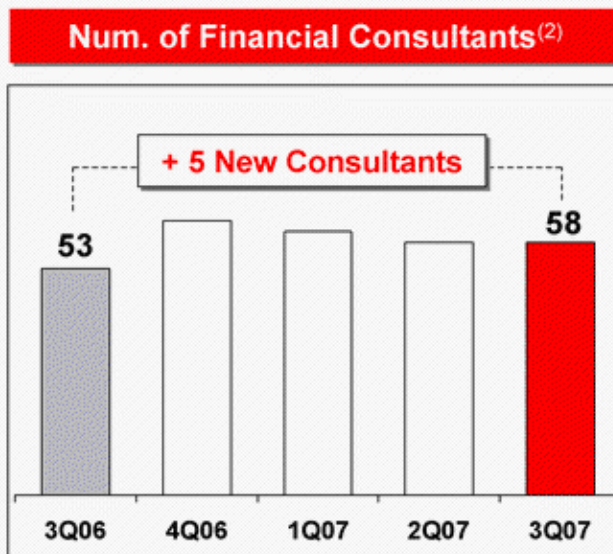
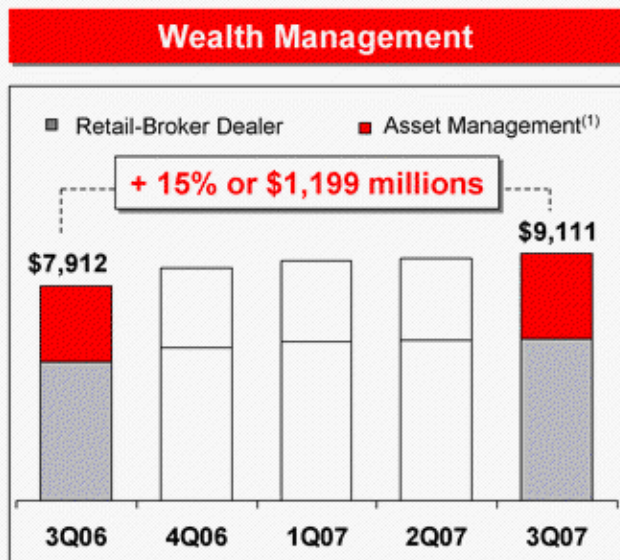
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Business Volume

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- +15% in wealth management assets year over year

\$ in Millions



(1) Mutual funds and other assets managed.
(2) Registered financial consultants.



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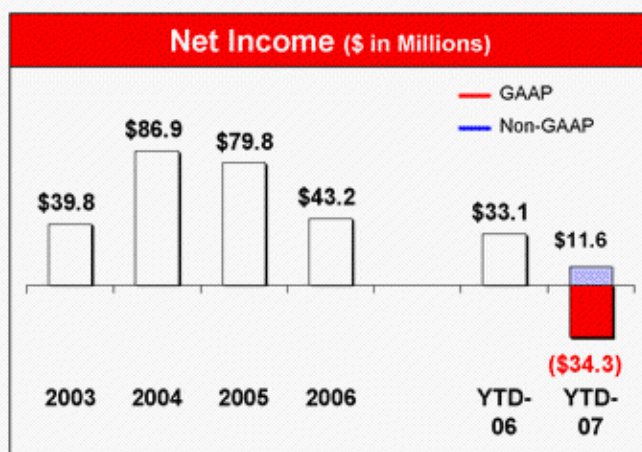
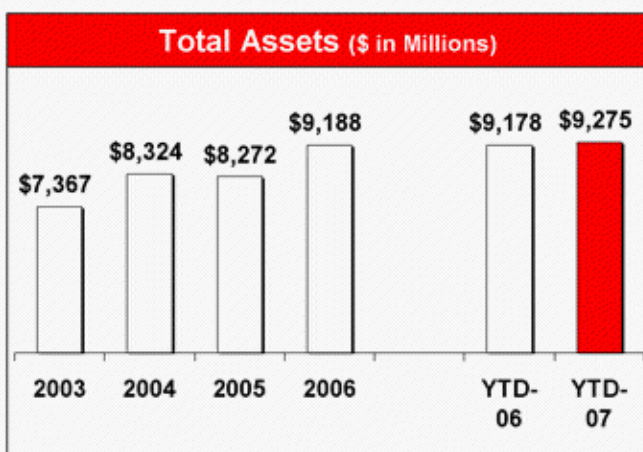
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Santander BanCorp – Historical Performance

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Years 2003 - 2006

- Results from operations reflects a GAAP net loss of \$34.3 million as of September 2007. The Corporation net loss included: \$39.7 million of goodwill and trade name impairment charges and a \$6.1 million after-tax compensation expense associated with two employees incentive programs sponsored and reimbursable by Santander Group.
- The non-GAAP result for the nine-month, excluding these two events, is \$11.6 million.

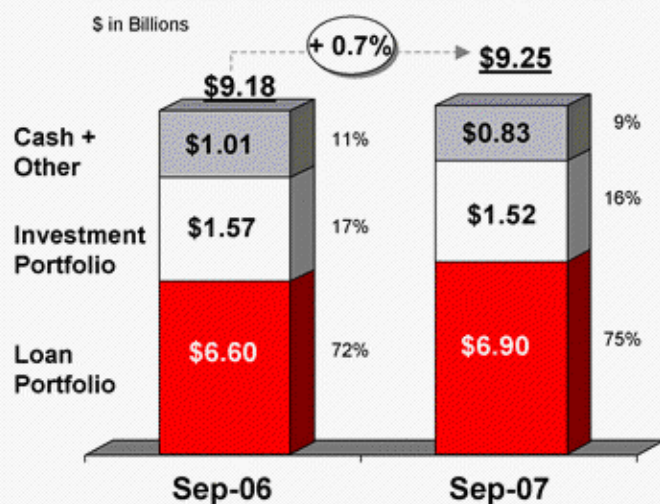


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Assets (As of Sep-30-07)

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Asset Growth and Composition

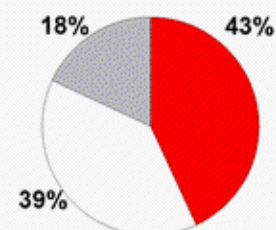


% Change 3Q06 vs. 3Q07:

- Loan Portfolio: + 4.6%
- Inv. Portfolio: - 3.4%

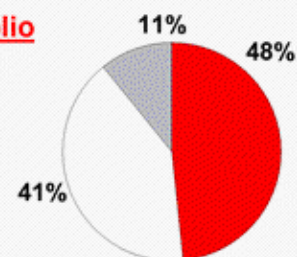
Loan Portfolio

- Commercial
- Mortgage
- Consumer



Investment Portfolio

- U.S. Agencies
- MBS
- Other



Portfolio: Yield: 4.5% Duration: 2.8 yrs.

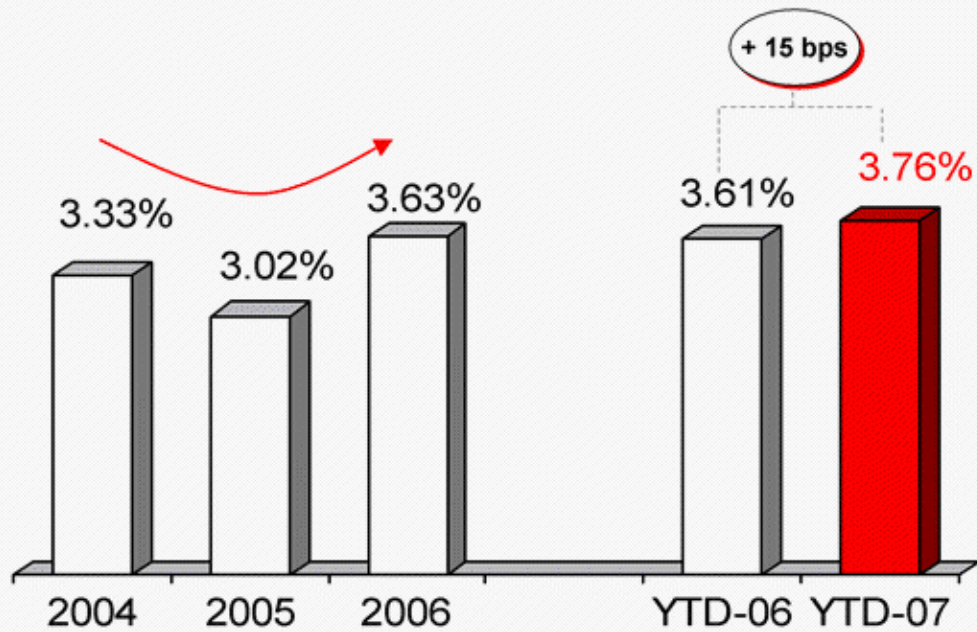


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Net Interest Margin*

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- + 15 bps increase in NIM year over year



* On tax equivalent basis.

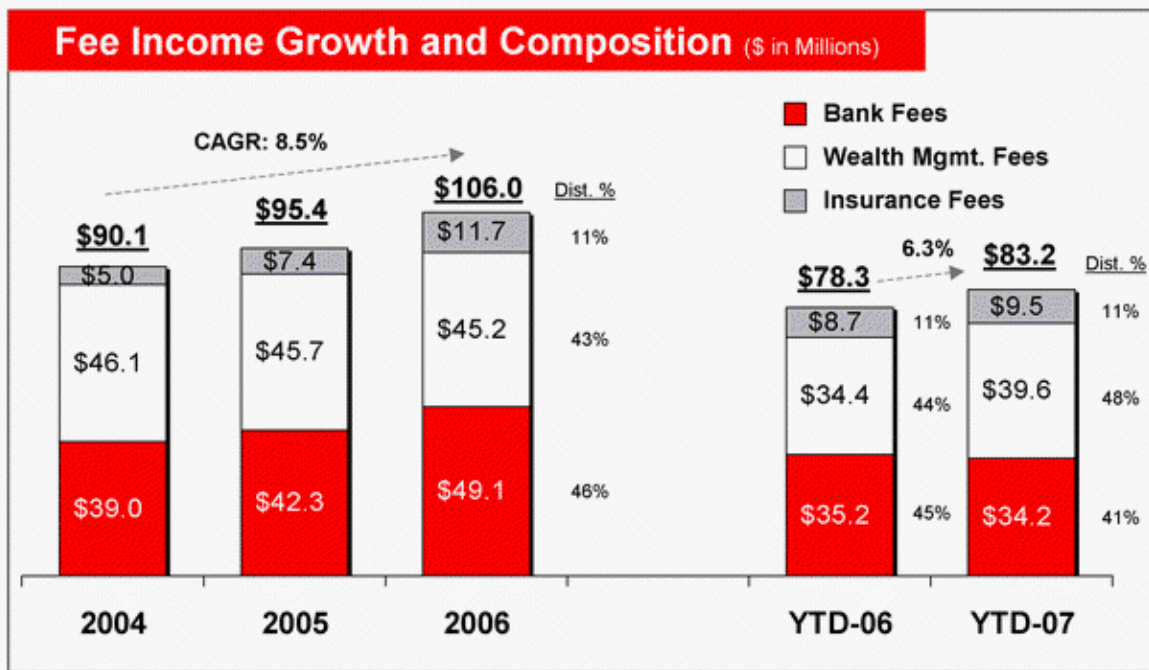
 Santander

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Fee Income

24

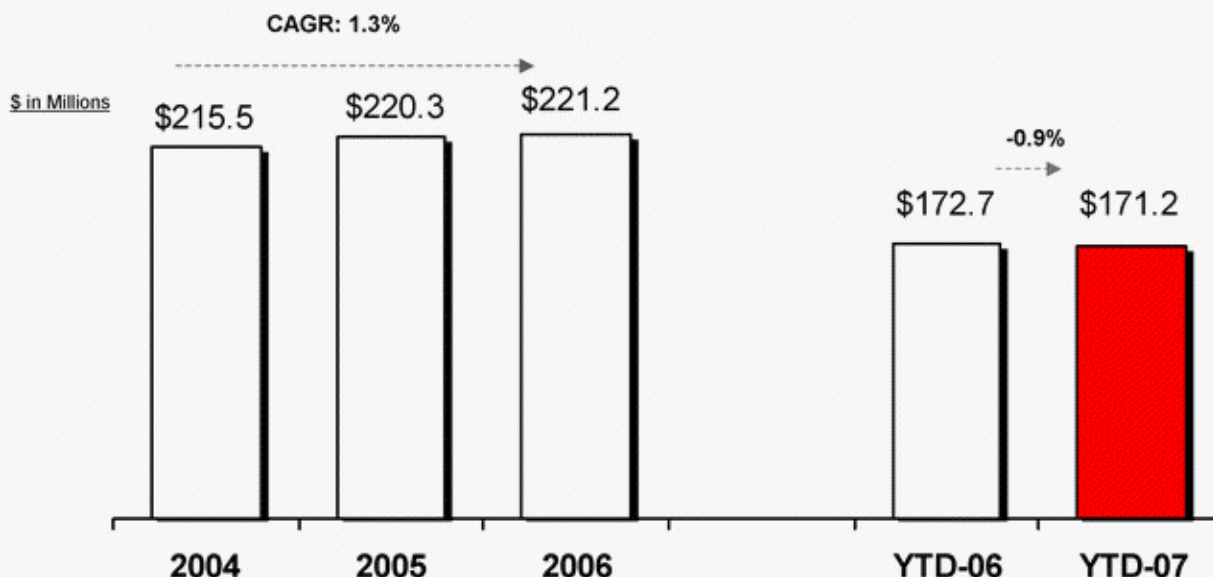
- + 6.3% year over year in fee income as of September 2007



Expense Control

25

- Expense growth declined after excluding extraordinary expenses related to the incentive plans and Island Finance goodwill and trademark impairment charges*



*Adjustments include costs of personnel reduction program (\$1.9M in 2004, \$1.1M in 2006, \$9.5M in 2006) and cost of long-term incentive plan (\$0.81M) in 2006. Operating expenses as of Sept. 2007 includes a \$39.7M adjustment for Island Finance goodwill and trade name impairment charges and \$10.1M of the incentive plans to be reimbursed by Santander Group. Expenses as of September 2006 excludes \$31.8M of operating expenses from Island Finance. Impairment charges did not result in cash expenditures and will not result in future cash expenditure.



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Income Statement as of Sep-2007

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- Extraordinary expenses and higher provisions main factors that affected earnings

\$ in millions, except EPS	For the nine months ended		Change	
	30-Sep-06	30-Sep-07	\$	%
Net Interest Income	\$215.4	\$233.6	\$18.3	8%
Loan Loss Provision	43.9	100.2	56.3	128%
NII after Loan Loss Provision	171.4	133.4	-38.0	-22%
Fee Income	78.3	83.2	4.9	6.3%
Other Income	4.8	13.2	8.4	177%
Operating Expenses	204.5	260.0	55.5	27%
Income Before Taxes	50.0	-30.1	-80.1	-160%
Tax Provision	16.9	4.2	-12.8	-75%
Net Income	\$33.1	-\$34.3	-\$67.4	-204%
EPS	\$0.71	-\$0.73	-\$1.44	-204%
Goodwill and trade name impairment charges	0.0	39.7	39.7	
Compensation expense sponsored by Santander (Spain), net of tax	0.0	6.2	6.2	
Net Earnings (non-GAPP)	\$33.1	\$11.6	-\$21.5	-65%
EPS	\$0.7	\$0.2	-\$0.5	-65%
Operating Expenses	204.5	260.0	55.5	27%
Island Finance Expenses	31.8	39.0	7.2	
Island Finance goodwill and trade name impairment charges		39.7		
Compensation expense sponsored by Santander (Spain), before tax	0.0	10.1	10.1	
Adjusted Operating Expenses	\$172.7	\$171.2	-\$1.5	-0.9%



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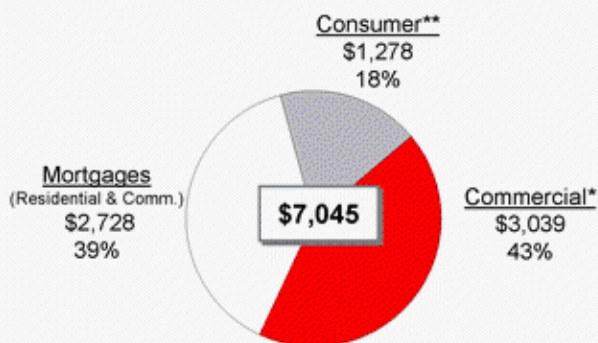
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Total Loan Portfolio (as of Sep-07)

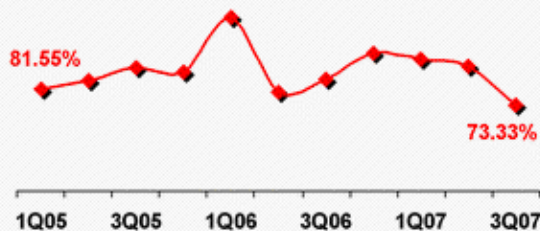
28

\$ in Millions

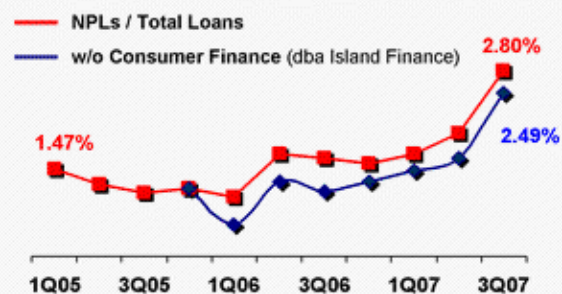


Reserves for Loan Losses to NPLs (Coverage)

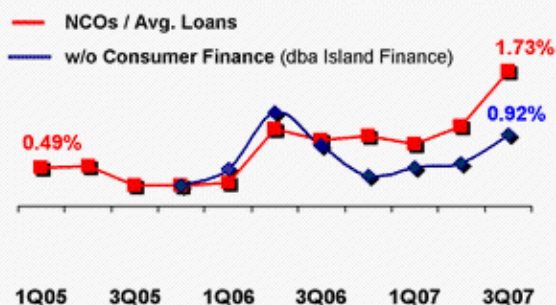
128% Coverage Ratio excl. real estate secured NPLs in 3Q07



Non-Performing Loans: Total Portfolio



Net-Charge Off Ratio: Total Portfolio



* Includes: SBA, Middle Market, Corporate, Construction and others

** Includes Island Finance (consumer finance) and consumer lending at Banco Santander.

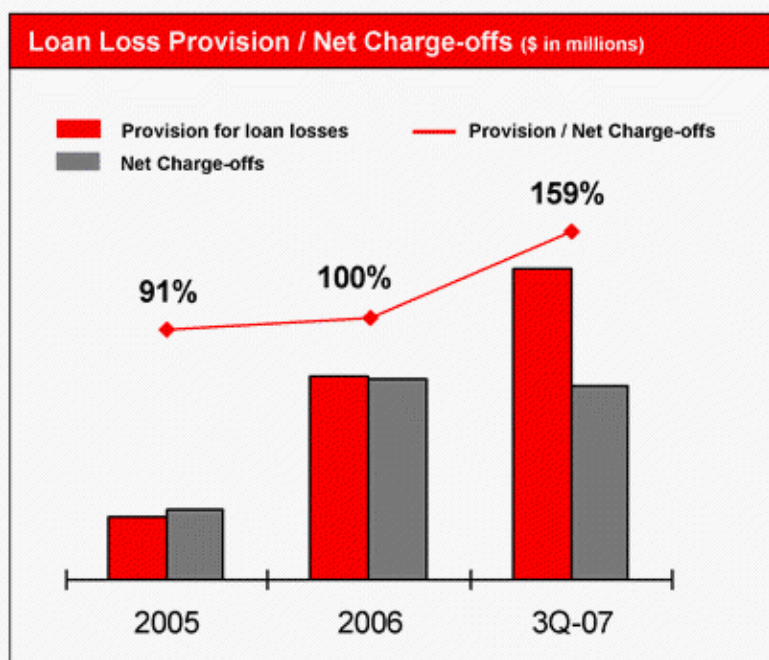


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Loan Loss Provision (as of Sep-07)

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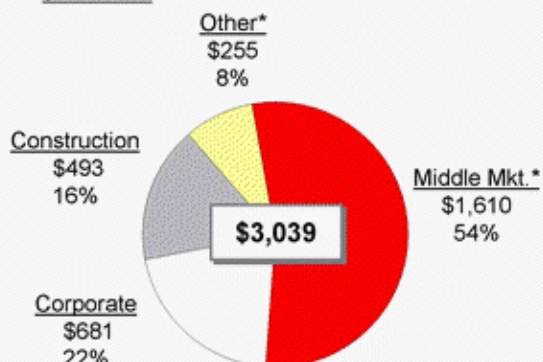
\$ in Millions



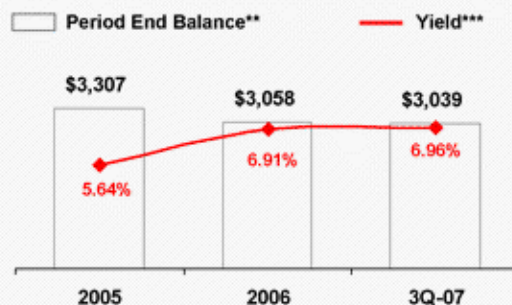
Commercial Loan Portfolio (as of Sep-07)

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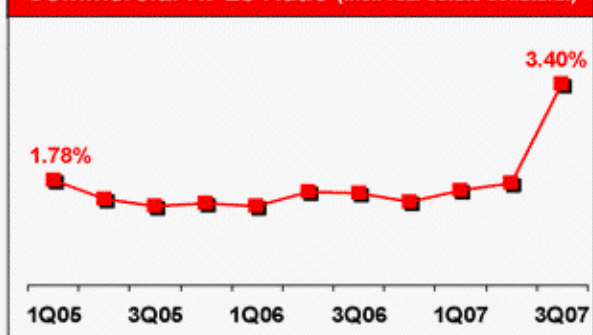
\$ in Millions



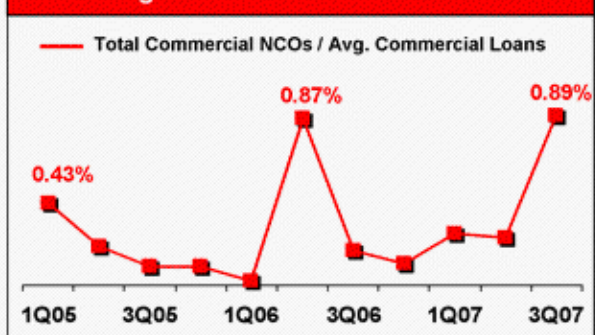
Portfolio Balance and Yield (\$ in millions)



Commercial NPLs Ratio (incl. real estate collateral)



Net-Charge Offs Ratio: Commercial



* Includes: agricultural, SBA, factor liens, leasing and others. Middle market includes small business.

** Does not include adjustment for commercial loans secured by mortgages settled with two unrelated financial institutions in 2005 and 2006.

*** Based on average balances.



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Residential Mortgage Portfolio (as of Sep-07)

31

\$ in Millions

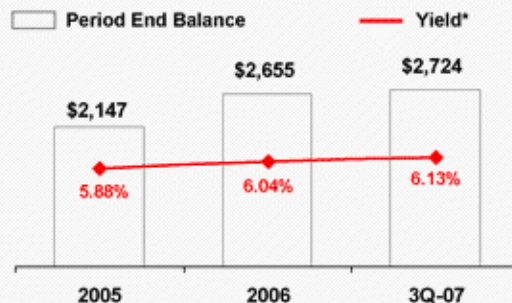
Mortgages
Serviced by Others

\$407
15%

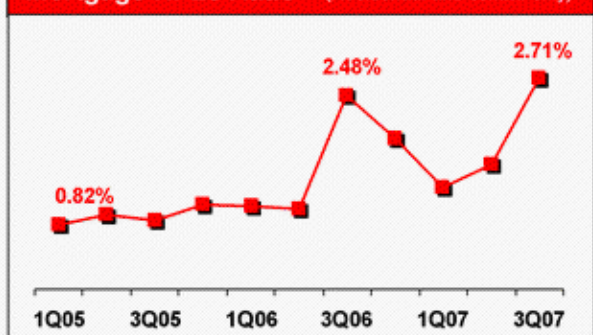


Mortgages
Serviced
by Santander
\$2,317
85%

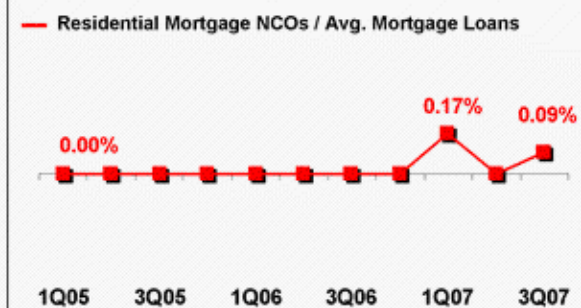
Portfolio Balance and Yield (\$ in millions)



Mortgage NPLs Ratio** (Residential and comm. only)



Net Charge-Offs: Residential Mortgage



* Based on average balances.

** Includes residential and commercial mortgages only. Excludes commercial with real estate collateral and consumer finance mortgages.

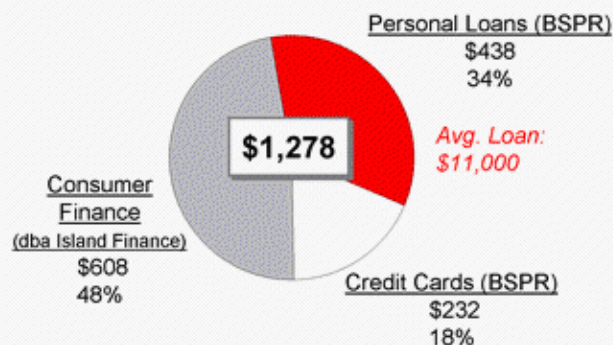


150
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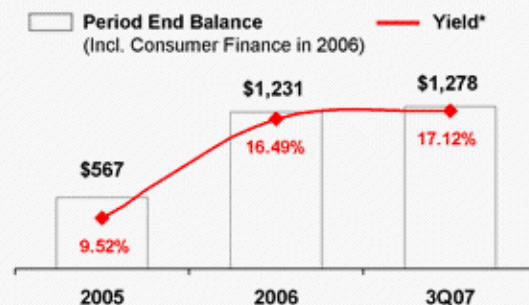
Consumer Loan Portfolio (as of Sep-07)

32

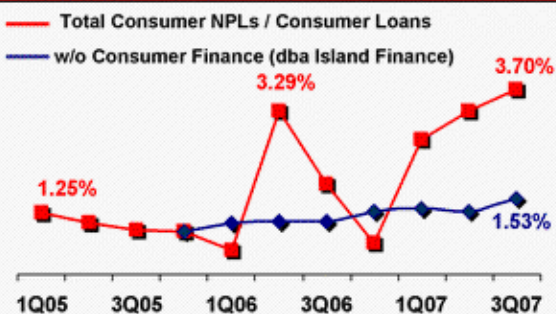
\$ in Millions



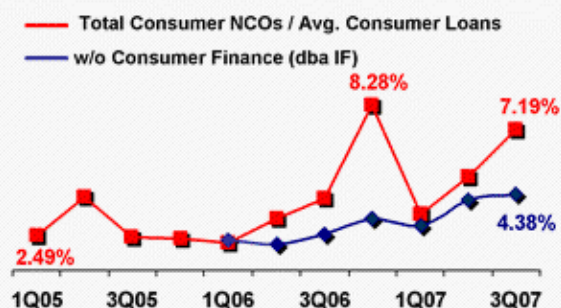
Portfolio Balance and Yield (\$ in millions)



Consumer NPLs Ratio**



Net-Charge Offs: Consumer



* Based on average balances.

** Includes consumer mortgages and consumer finance mortgages.

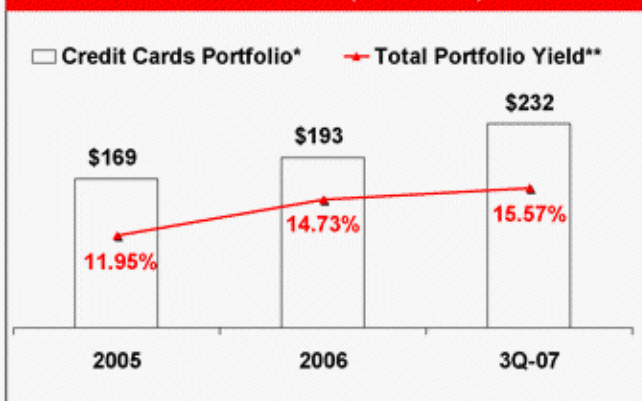


150
AÑOS

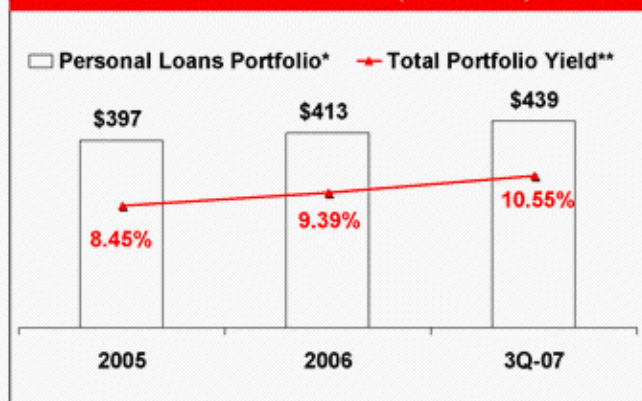
Consumer Portfolio at BSPR (as of Sep-07)

33

Credit Cards Portfolio (\$ in Millions)



Personal Loans Portfolio (\$ in Millions)



* Based on period end balances.

** Based on average balances.

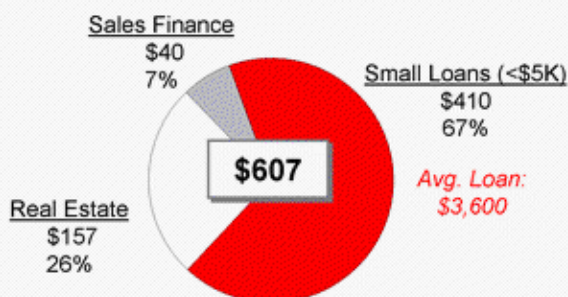


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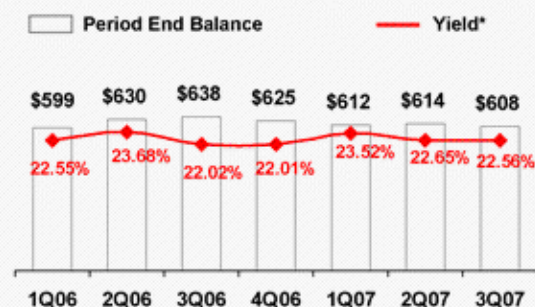
Consumer Finance Loan Portfolio (as of Sep-07)

34

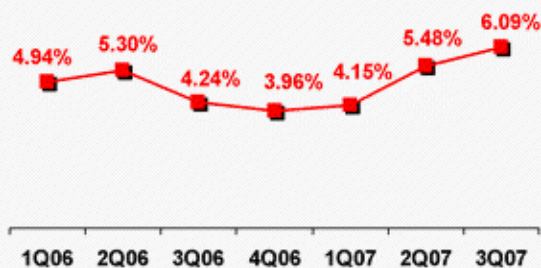
\$ in Millions



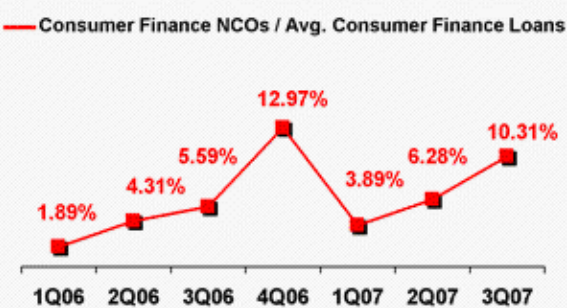
Portfolio Balance and Yield (\$ in millions)



Consumer Finance NPLs Ratio**



Net-Charge Offs: Consumer Finance



* Based on average balances.

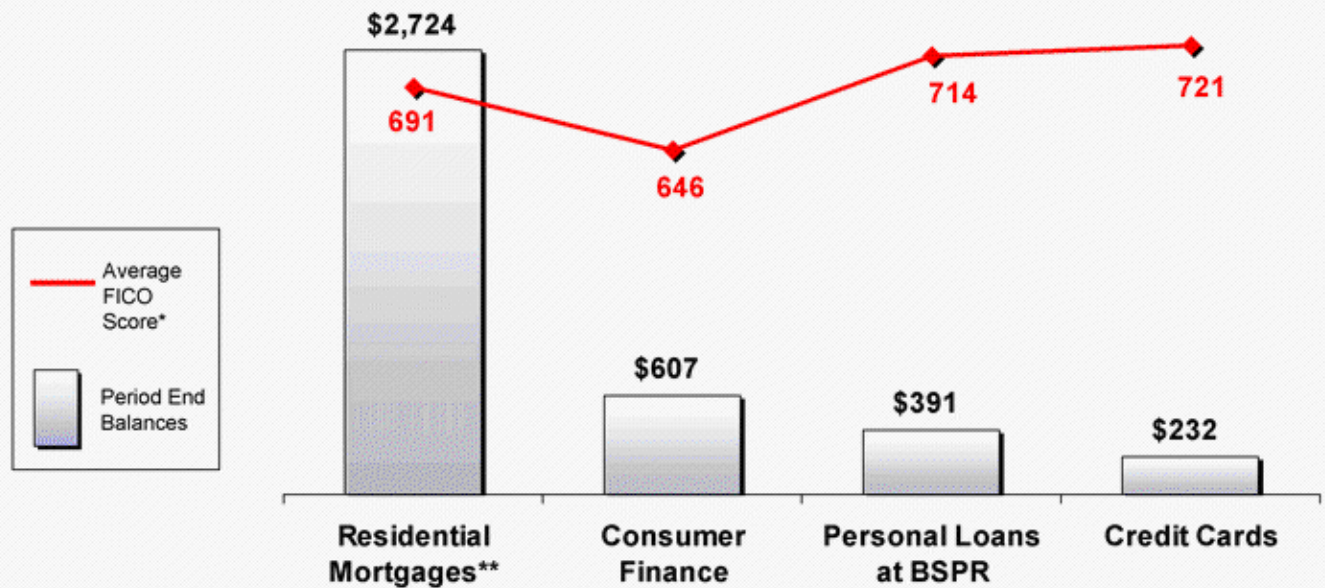
** Includes consumer finance mortgages.



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Average FICO Scores in Consumer Portfolio ³⁵ (Sep-30-07)

\$ in Millions



* Average score excludes unscored loans.

** Includes only the portfolio serviced by Santander.



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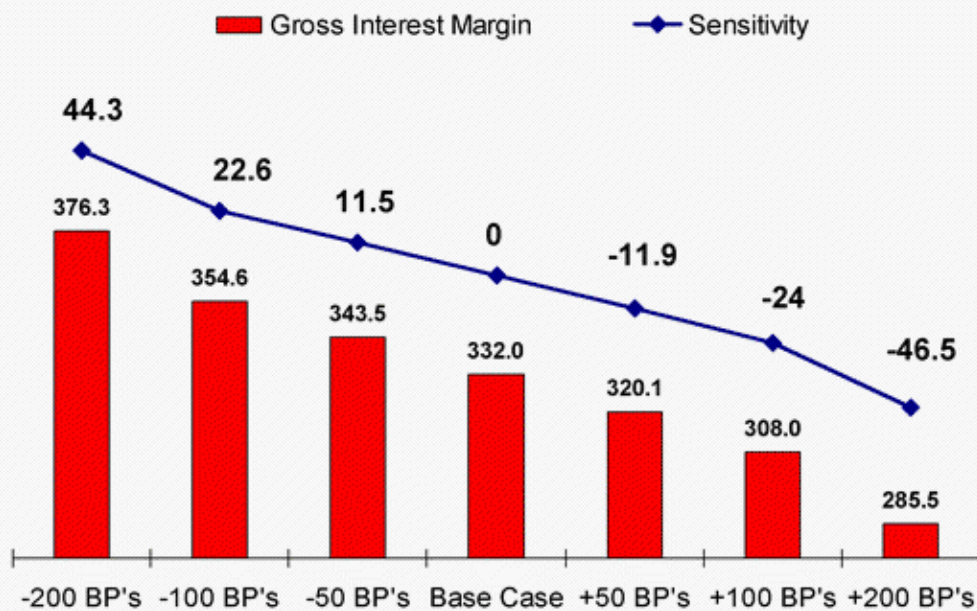
Agenda

- Puerto Rico
- Introduction to Santander BanCorp
- Business Highlights
- Financial Performance
- Asset Quality
- **Asset/Liability Management**

Interest Rate Risk

September 30, 2007

\$ in Millions



Investment Portfolio

(September 30, 2007)

38

	Book Value	Yield	Duration	Gain/(Loss)
Short Term	320	4.2%	0.0	(0.0)
US Treasury Bills	170	4.4%	0.0	0.0
Discount Notes	150	4.0%	0.0	(0.0)
Long Term	1,161	4.4%	3.5	(30.3)
FHLB Bullets	483	3.9%	2.5	(7.0)
PR Government	53	5.1%	4.3	(0.9)
MBS Passthroughs	577	4.7%	4.5	(22.3)
Other	49	5.5%	0.0	0.0
Funding	1,481	5.4%	1.0	(13.7)
LT Repos	627	5.8%	2.2	(13.7)
Other ST Funding	855	5.1%	0.1	0.0



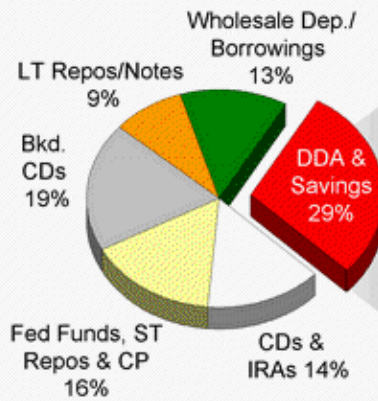
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Diversified Funding Mix

39

Funding Mix 3Q07

Avg. Cost: 4.81%

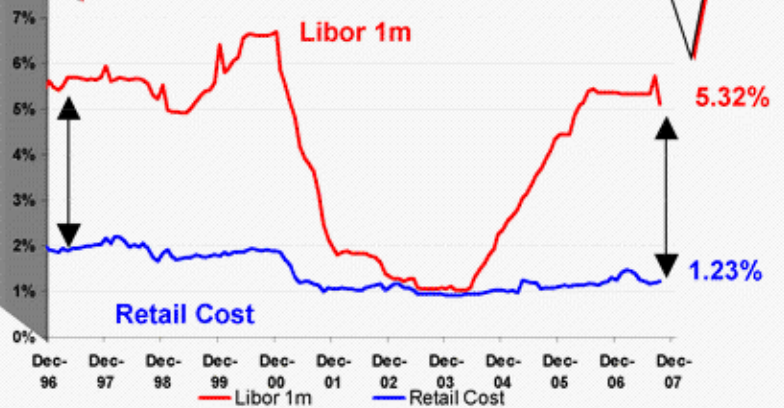


Value of Client Deposit Franchise

Retail DDA/Savings vs. Wholesale Alternative Cost

Historical spread is 300 basis pts. below wholesale funding cost

Important Contribution to Net Interest Margin



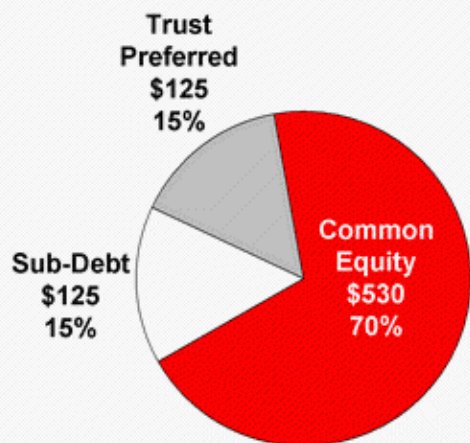
Capital Structure and Ratios

40

3Q07

Regulatory Santander BanCorp Capital Structure

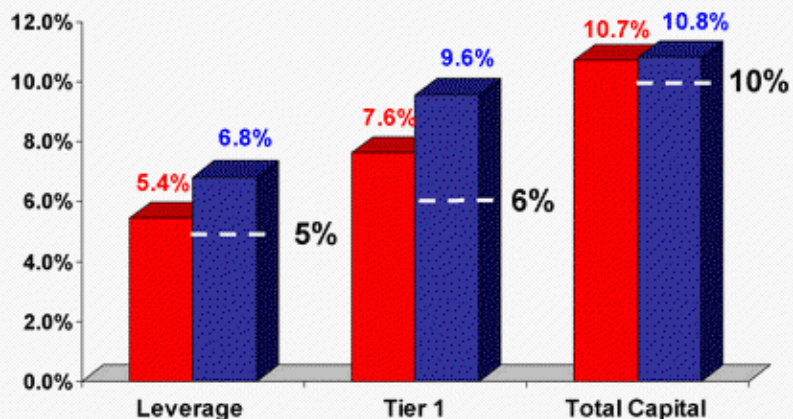
\$ in Millions



■ Santander BanCorp

■ BSPR

— FDIC Well-Capitalized Banks Criteria*



*Top criteria used by the FDIC to assess capital position of banks. Banks classified as Well Capitalized belong to FDIC's Group 1 of its capital group assessments and are considered to be more than adequately capitalized.



150
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Santander

150
AÑOS



Latibex
LATIN AMERICA IN EUROS