

Puerto Rico – February 2012

Renewable Energy Financing Opportunities

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SECURITIES



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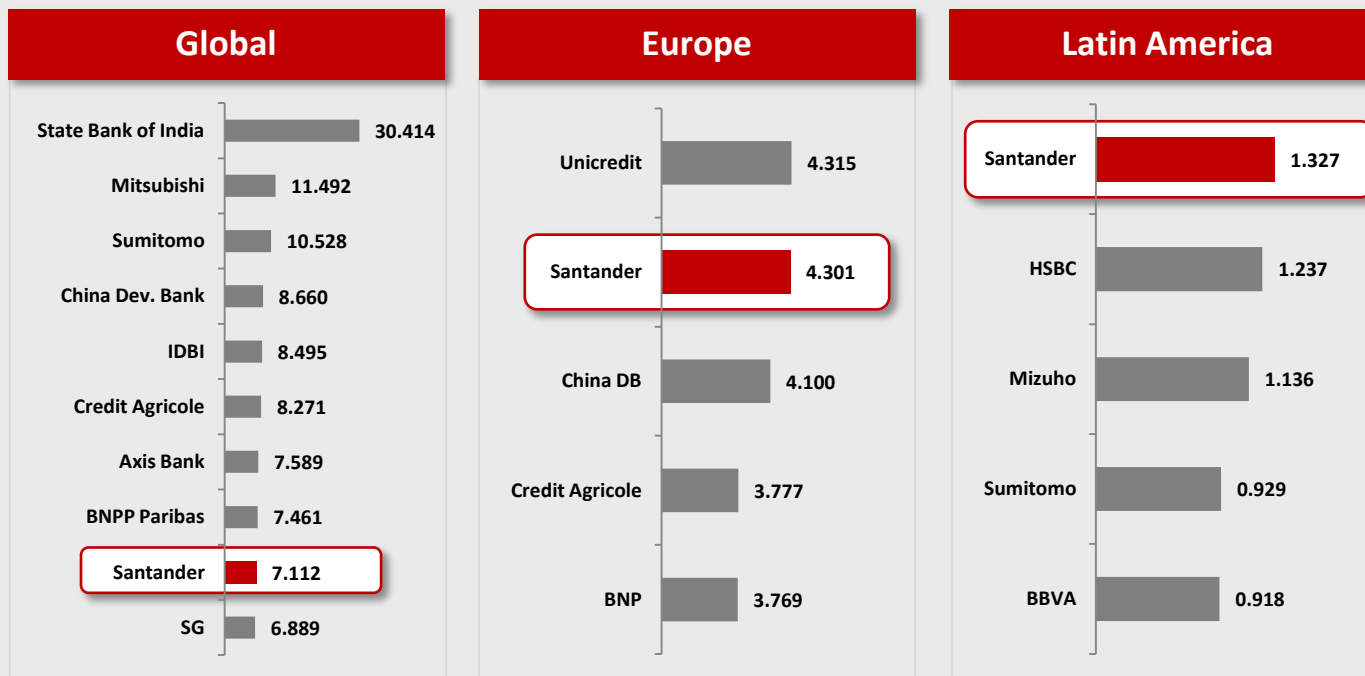
Santander Global – Project Finance

Santander is a leading bank worldwide

Agenda

- I. Overview
- II. Comm. Scale & Energy Efficiency
- III. Large Scale Projects
- IV. Our team

Resources committed, 2011, US \$million



- ✓ Ranked among the top ten project finance banks worldwide
- ✓ Ranked top #2 project finance bank in Europe and #1 in Latin America
- ✓ Outperformed its peers in both number of transactions and financing amounts
- ✓ Consistently ranked among the leading project finance banks in the last 5 years

Santander Global – Renewable Energy

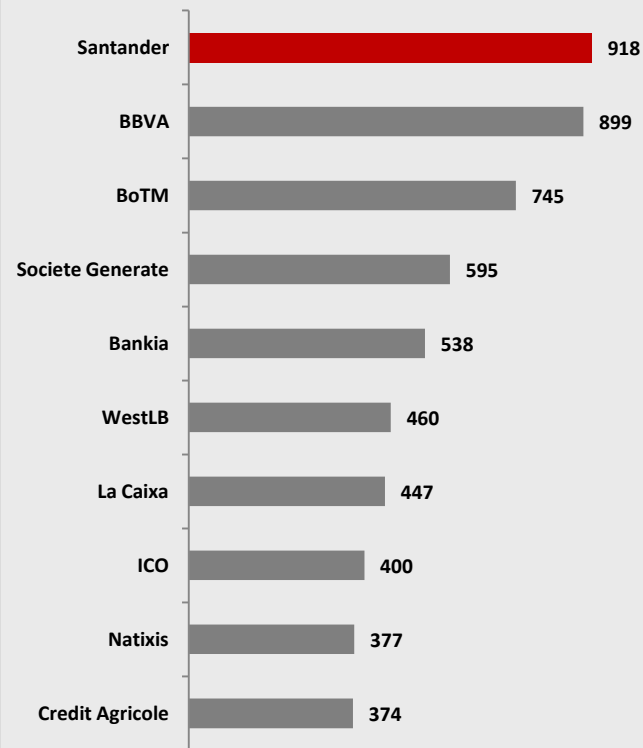
Santander has become the world’s leading energy project finance bank

Energy Credentials

Global Renewable Energy Leadership

- **ONSHORE WIND:** Santander has participated in the financing of wind projects for an accumulated capacity of 7,500 MW underwriting more than €3 billion; currently working in projects in several countries including US, Spain, UK, Brazil, Portugal, Germany, France, Mexico, Uruguay and Italy.
- **PHOTOVOLTAIC:** Santander has participated in the financing of photovoltaic projects for an accumulated capacity of 500 MW, committing more than €1.6 billion in the sector.
- **CONCENTRATED SOLAR POWER:** Santander is the leading underwriter of Concentrated Solar Power Projects, leading the financing of projects for an accumulated capacity of 914 MW.
- **OFFSHORE WIND:** Santander had a leading role in the first offshore project finance transaction in the UK.
- **CONVENTIONAL ENERGY:** Santander is very active in conventional energy transactions.

Global Renewable Energy H1/11, \$ MM



Renewables awards received in 2010/2011



World's Greenest Bank, 2011



Renewables Lender of the Year



Renewables Arranger of the Year



Commercial Projects & Energy Efficiency Initiatives

Project size: 0 – 1 MW Projects

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General Financing Terms

Government Incentives

Local Government Incentives

- Government's *Green Energy Fund* provides up to 60% cash grant for small and medium scale projects.

Federal Government Incentives

- Small Business Administration ("SBA") 504 program provides guarantees of up to \$5.5 million.

Selection Criteria

- Established businesses (no start-ups).
- Provide audited financial statements for the past three years, internals or projected.
- Statements and projections should reflect ability to pay with the new funding.
- Personal guarantees.
- Mortgage collateral, guarantees can be combined with government sponsored programs such as SBAs.
- Terms shall not exceed the useful life of the equipment.

Financing Terms with SBA 504 Program

- Loan must be only for the equipment.
- The portion of the bank's loan may reach 15 years with a balloon on the 7th year.
- The portion that SBA participates may extend up to the 10th year.
- The SBA 504 program extends its cap from \$5 million to \$5.5 million for renewable energy projects, the client is required to submit a study to validate that energy savings are at least 10%.

Large Scale Renewable Energy Projects

Project size: 1 MW + Projects

General Financing Terms

Selection Criteria

- Preference for companies that are clients of the bank as shareholders of projects or companies with history on investing in the sector.
- Need for a contractor with strong experience in the sector.
- Main components of the system (modules, inverters, transformers and trackers if any) manufactured by leading companies in the sector and with a performance track-record.

Guaranty Structure

Construction	Operation
<ul style="list-style-type: none"> ▪ Operating ▪ Compliance ▪ Quality of material ▪ Asset ▪ Design and Execution 	<ul style="list-style-type: none"> ▪ Availability ▪ Performance Ratio ▪ Degradation

Financial Structure

- **Two terms:**
 - Senior Construction / Term Loan
 - Cash Grant Loan: up to 90%/95% of the expected cash grant (will asses a Tax Equity Loan in the case of a cash grant replacement)
- Amount of debt: derived from the repayment capacity of the project, but cannot be less than 85/15
- Maturity of approx. 16 years (depending on the project)
- **RCSD minimum: P99 – 1.00x y P50 – 1.35/1.40x**
- Standard covenants for this type of project
- **Guarantees and Pre-conditions:**
 - All licenses and permits must be in place
 - EPC contract established
 - PPA
 - Contract of O&M with acceptable company
 - Guarantees of assurance and plant performance
 - MAC , Market Disruption and Market Flex
 - Ownership Clause
 - Legal, technical, module and insurance due diligence
 - Interest rate coverage of at least 75% of the total amount and the term of the debt
 - Debt Service Reserve Fund

Large Scale Renewable Energy Projects

Project size: 1 MW + Projects – Equity Structures

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Description and Capabilities

Santander Asset & Capital Structuring delivers creative and innovative structured financing solutions to its clients by utilizing:

- Balance Sheet Capacity / Investing capabilities
- Structuring and advisory expertise
- Industry and product expertise with particular strengths in transportation related assets and structured debt/leasing products
- Syndication and Private Placement capabilities
- Global network with access to Santander's offices in over 40 countries

Activities

Product	Description	Activities
Capital Structuring	<ul style="list-style-type: none">▪ Seed Capital▪ Project Promotion and development	<ul style="list-style-type: none">▪ Renewable Energy/New Technologies▪ Energy Efficiency▪ Carbon Finance / Climate Change
Asset Structuring	<ul style="list-style-type: none">▪ Financial structuring of sizeable assets in capital-intensive sectors▪ Cross border operations	<ul style="list-style-type: none">▪ Lease structuring▪ Operating leases▪ Restructuring▪ Financing arrangement

Santander Securities Investment Banking Team

Santander Team

Eduardo M. Inclán

*Senior Vice President
& Director*

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Mr. Inclán has been managing the Investment Banking Group since April 2005. Since joining the firm in 2003, Mr. Inclán has been responsible for the execution of over \$7 billion in municipal securities transactions, including issuances for the Puerto Rico Housing Finance Authority, the Puerto Rico Sales Tax Financing Corporation, the Puerto Rico Electric Power Authority (the first ever Build America Bond issued by a Puerto Rico issuer), the Government Development Bank (at \$1.797 billion, the largest transactions placed in the local market) and the Commonwealth of Puerto Rico.

In addition, Mr. Inclán has been the lead banker in the issuance of over \$1 billion of corporate securities, including common shares of investment companies, and preferred stock and senior and subordinated debt of Puerto Rico investment companies and financial institutions.

Prior to joining Santander Securities in 2003, Mr. Inclán worked in the Investment Banking department at Popular Securities, Inc.

Licenses: Series 7, 24, 53

Education: B.A. – University of Pennsylvania; MBA – Columbia Business School

Gerardo J. Portela

Vice President

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Mr. Portela has been involved in financings for the Commonwealth of Puerto Rico, its public corporations and municipalities, approximately \$5 billion. Mr. Portela has also performed financial advisories with emphasis on M&A across a variety of industries. In addition, Mr. Portela has been actively involved with Santander Asset Management in the origination of structured products for the First Puerto Rico Family of Funds.

While at UBS, Mr. Portela actively participated in the structuring and launching of over \$2 billion in common stock of Puerto Rico investment companies.

Licenses: Series 7

Education: BBA. – University of Puerto Rico; MBA – University of Virginia

Erika Rodrigues de Castro

Associate

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(787) 759-5392*

Ms. Castro recently joined the Investment Banking Department. Prior to joining Investment Banking, Ms. Castro worked for several years for the Risk departments in Banco Santander, Citibank and ABN AMRO Bank in Brazil. Responsible for coordinating the Methodology team of Credit and Market Risk, addressing issues of Economic and Regulatory Capital, credit ratings, stress tests models, pricing based on risk and credit risk exposure in derivatives.

Education: BBA. – Fundação Getulio Vargas; MFE – Fundação Getulio Vargas

Alberto J. Toro

Analyst

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Mr. Toro joined the Investment Banking Department in 2011 and has been involved in over \$2 billion in municipal securities transactions. Prior to joining Investment Banking, Mr. Toro was Aide to the Secretary of the Department of Economic Development & Commerce of Puerto Rico and Deputy Adviser to the Governor on Economic Development and Energy Issues.

Licenses: Series 7

Education: BBA. – Villanova University

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