

## **AUDIT COMMITTEE CHARTER**

### **PURPOSE**

The Audit Committee of the Board of Directors (the “Committee”) of Santander Bancorp and its subsidiaries (collectively, the “Corporation”) shall represent and assist the full Board of Directors (the “Board”) in discharging its oversight responsibility regarding: (1) the Corporation’s accounting principles and financial reporting practices and policies, and disclosure controls and system of internal controls and procedures; (2) the Corporation’s financial statements and the independent audit thereof; (3) the Corporation’s compliance with legal and regulatory requirements; (4) the performance of the Corporation’s internal audit department (the “Internal Audit Department”) and independent public accountants (“IPA”).

The Committee shall also act as an overseer of: (a) the Corporation’s management (“Management”) discharge of its responsibility for the preparation, presentation and integrity of the Corporation’s financial statements, (b) Management’s responsibility for maintaining appropriate accounting and financial reporting principles and policies, and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations, (c) the Internal Audit Department’s responsibility for examining and evaluating the adequacy and effectiveness of the Corporation’s and its subsidiaries’ internal control systems to ensure (i) the reliability and integrity of information, (ii) compliance with the Corporation’s policies, plans and procedures, as well as laws and regulations, and (iii) the safekeeping of assets; and (d) the Corporation’s disclosure controls system and internal controls system, which Management and the Board have established, regarding finance, accounting, legal compliance and ethics.

The Committee shall be charged with evaluating the IPA’s qualifications, performance and independence.

The Committee shall cause to be prepared any report or other disclosure, including any report of the Committee, required by the rules of the Securities and Exchange Commission (“SEC”) to be included in the Corporation’s annual proxy statement or other periodic reports or disclosures.

The Committee shall establish procedures for and continually monitor: the receipt, retention and treatment of complaints received by or from employees (including confidential anonymous submission by employees) and shareholders regarding accounting controls, auditing matters, or any other relevant matter that may result in damage or liability to the Corporation.

### **AUTHORITY**

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage outside auditors for the annual audit, special audits, reviews and other procedures and, as appropriate, to obtain advice and assistance from special counsels and other experts or consultants without seeking approval of the full Board or Management.

The Corporation shall provide appropriate funding, as determined by the Committee, for compensation to the IPA and to any advisors that the Committee chooses to engage.

The Committee may request any officer or employee of the Corporation or the Corporation’s outside counsel or outside auditors to attend any meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee may determine whether to allow any internal or external attorneys to practice before the SEC on behalf of the Corporation. Should the Committee elect to do so, the Committee shall have the authority to: (a) verify or ascertain if such attorneys comply with the professional standards set forth by the SEC; and (b) verify or ascertain that the Corporation’s attorneys have reported evidence of

material violations of securities law or breach of fiduciary duty or similar violation by the Corporation or any agent thereof to the chief legal counsel, the Corporation's Chief Executive Officer ("CEO") and the Committee (if necessary actions have not otherwise been taken).

### **COMPOSITION**

The Committee shall be comprised only of three or more members of the Board who are independent directors. Each member shall not be an officer or employee of the Corporation, its subsidiaries or affiliates, shall not have any relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The members of the Committee shall be financially literate.

At least one member of the Committee must be a "financial expert," as such term is defined by the SEC pursuant to rules promulgated under Section 407 of the Sarbanes Oxley Act of 2002, as amended (the "SOA"). The members of the Committee shall satisfy the applicable requirements under the rules of the New York Stock Exchange and the SEC, as such requirements are interpreted by the full Board in its business judgment. The Corporation must disclose the name of the Committee's financial expert and whether such expert is independent of Management.

The Board shall designate the members of the Committee and a chairperson of the Committee from among its members, who shall preside over the meetings of the Committee and shall inform the Board of the actions taken by the Committee. In the event of a vacancy or an absence in the Committee, the Board may designate any member of the Board as a substitute, provided such person complies with the requisites established herein.

### **MEETINGS**

The Committee will meet at least once per month or more frequently if circumstances dictate to discuss the matters set forth in the Duties and Responsibilities section of this Charter. Members of the Committee may participate in meetings of the Committee by means of a conference call or similar communications equipment whereby all persons participating in the meeting can converse with each other.

The Committee will designate a Secretary from among its members. The Secretary may delegate his (her) functions to any officer of the Corporation designated by the Secretary. The Secretary, or the person so designated, will notify the members of the Committee of the place, date and time of the meetings of the Committee on a timely basis, as well as prepare and submit the agenda, reports and documents required for each meeting of the Committee.

The Secretary or his (her) designee will prepare accurate minutes of each meeting of the Committee, indicating which members of the Committee were present, and summarizing the decisions, recommendations and agreements reached. The Chairperson of the Committee will submit the minutes and the attachments considered necessary to the Board for their review and ratification.

The members of the Committee shall hold office from the time of designation until the next election of directors at the annual meeting of stockholders of the Corporation. The Board may, however, extend such period for any or all designated members who continue to meet the requirements for membership in the Committee.

A quorum shall consist of the majority of the members of the Committee. The decisions of the Committee shall be adopted by an affirmative vote of the majority of the members participating in the meeting in which the decision is considered. In the event of a tie, the matter will be submitted to the Board for its consideration at their next meeting and no action will be taken until the Board makes a decision on such matter.

As part of its efforts to foster open communication, the Committee should meet periodically with Management, the director of the internal auditing function and the IPA, in separate executive sessions, to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee shall meet quarterly with the IPA and Management to discuss the annual audited financial statements and quarterly financial statements, including the Corporation's disclosure contained therein under "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A").

## **DUTIES AND RESPONSIBILITIES**

In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not employees of the Corporation. It is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Each member of the Committee shall be entitled to rely on: (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information; (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board); and (iii) all representations made by Management as to any information technology, internal audit and other non-audit services provided by the IPA to the Corporation.

The Committee will carry out the following responsibilities:

### **Financial Statements**

- Advise Management, the Internal Audit Department and the IPA that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices. The Committee shall review these analyses with regard to: (a) critical accounting policies and practices, alternative treatments of financial information within GAAP (including their ramifications and the methods preferred by the IPA), and any other material communication between the IPA and Management (including management letters and schedules of unadjusted differences); (b) Management's responsibilities for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and (c) assessment, as of the end of the most recent fiscal year of the Corporation, of the effectiveness of the internal control structure and procedures of the Corporation for financial reporting.
- Ascertain that Management has reviewed the MD&A to ensure information presented is consistent with the financial statements, related footnote disclosures and the accounting records of the Corporation.
- Discuss with Management and the IPA the audited financial statements.
- Discuss significant changes to the Corporation's accounting principles, policies, controls, procedures and practices proposed or contemplated by the IPA, the Internal Audit Department or Management.
- Review quarterly press releases and ascertain the absence of misleading information or omission of material facts prior to issuance.
- Review periodic reports (10Q, 10K, 8K, proxy, etc.).
- Discuss the schedule of unadjusted differences and Management's actions with respect to such schedule and any other material written communication between the IPA and Management.

### **Internal Control**

- Meet with the Corporation's chief accounting officer ("CAO") and chief operations officer ("COO") at least twice per year.
- Establish a prohibition of cross hiring (e.g. any individual who was employed by an IPA and participated in an audit of the Corporation within the last 12 months cannot be hired as the CEO, CAO, COO or comptroller).
- Ensure that the CAO, COO and CEO certification's process is adequate and appropriate to the needs and commercial complexity of the Corporation, and is comprehensively documented. Consider having an independent third party assess the process. Consider whether additional documentation is required for certification to be completed.
- Evaluate the current state of reporting on internal controls to evaluate whether any changes are necessary.

### **Internal Audit**

- Review the appointment, replacement, reassignment or dismissal of the Director of the Internal Audit Department (the "DIA"). Advise the DIA that he or she is expected to provide to the Committee summaries of and, as appropriate, the significant reports to Management prepared by the Internal Audit Department and Management's responses thereto. Instruct internal auditors that they (in conjunction with the IPA) are ultimately accountable to the Board through the Committee.
- Review activities, organizational structure and qualifications of the internal audit function.
- Annually, review and recommend changes (if any) to the Internal Audit Department's charter.
- Periodically review with the DIA any significant difficulties, disagreements with Management or scope restrictions encountered in the course of the function's work.
- Periodically review with the IPA the budget, staffing and responsibilities of the Internal Audit Department.

### **External Audit**

- The IPA shall annually submit to the Committee a formal written statement delineating all relationship between the IPA and the Corporation ("Statement as to Independence") addressing each non-audit service provided to the Corporation and the matters set forth in Independence Standards Board Standard No. 1.
- Pre-approve all audit and non-audit services performed by the IPA in excess of \$10,000 and periodically (not less frequently than annually) review all audit and non-audit services performed for the Corporation by the IPA. The IPA shall annually submit to the Corporation a formal written statement of the fees billed for services rendered. The following categories shall be included: (i) the audit of the Corporation's annual financial statements for the most recent fiscal year, and the reviews of the financial statements included in the Corporation's Quarterly Reports on Form 10-Q for that fiscal year; (ii) fees for audit related services, such as due diligence related to mergers and acquisitions, financial accounting and reporting consultation, information systems services, SOA advisory services, internal control services, agreed upon procedures; (iii) tax services; and (iv) all other services rendered by the IPA for the most recent fiscal year, in the aggregate and by each service.

- Require that Management provide a list of payments made to the IPA or any other accounting firm for services other than financial statement audits. With regard to such services, the Committee must (i) assess whether such services can be provided by the IPA prospectively, (ii) assess which “no conflict” suppliers can perform such services prospectively, and (iii) communicate to Management which services must be discontinued in compliance with the SOA. Information regarding fees paid to the IPA shall be segregated into the four categories discussed above.
- The Committee shall be directly responsible for the appointment, compensation and oversight of the work of the IPA. In this regard the Committee shall appoint, retain, compensate, evaluate and terminate, when appropriate, the IPA, which shall report directly to the Committee.
- Ensure that the IPA prepare and deliver annually a Statement as to Independence (it being understood that the IPA are responsible for the accuracy and completeness of such Statement). Discuss with the IPA any relationships or services disclosed in such Statement that may affect the objectivity and independence of the IPA, taking into consideration the opinion of Management and the Internal Audit Department.
- Consider, if applicable, whether the IPA’s provision of (a) information technology consulting services relating to financial information systems design and implementation and (b) other non-audit services to the Corporation is compatible with maintaining the independence of the IPA.
- Instruct the IPA that they are ultimately accountable to the Board through the Committee.
- Consider all reports or communications (and Management’s and/or the Internal Audit Department’s responses thereto) submitted to the Committee by the IPA required by or referred to in SAS 61 (Codification of Statements on Auditing Standards, AU Section 380), as the same may be modified or supplemented.
- Discuss restrictions on scope of the IPA’s activities or access to requested information.
- Discuss any significant matters arising from any audit, report or communication referred, whether raised by Management, the Internal Audit Department or the IPA, relating to the Corporation’s financial statements.
- Review the form of opinion the IPA propose to render to the Board and shareholders.
- Obtain from the IPA assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, as amended, which sets forth certain procedures to be followed in any audit of financial statements required under the Securities Exchange Act of 1934.
- Confirm that the external auditor has registered with the Public Company Accounting Oversight Board (the “PCAOB”). Have the external auditor confirm, quarterly, that they are in compliance with the rules and regulations of, and are in good standing with the PCAOB.
- Document the policy of rotation of the lead audit partner every five years, or as required by applicable regulation, and ascertain that the engagement team has complied with this policy.
- Evaluate whether there is excessive or extravagant entertaining by Management of IPA or vice-versa.
- Set clear hiring policies, compliant with governing laws or regulations, for employees or former employees of the IPA.

- At least annually, obtain and review a report by the IPA describing:
  - the IPA's internal quality control procedures;
  - any material issues raised by the most recent internal quality-control review, peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the IPA, and any steps taken to deal with any such issues; and
  - all relationships between the IPA and the Corporation.

### **Ethical Compliance, Legal Compliance, and Risk Management**

- Review the Corporation's code of ethics to determine compliance with SOA's requirement relating to code of ethics for senior financial officers, and that all senior financial officers have acknowledged receipt and having read the code of ethics.
- Discuss with the Corporation's General Counsel, or if required by the Committee with independent counsel of its selection, any significant legal matters that may have a material effect on the financial statements of the Corporation and the Corporation's compliance policies, including material notices to or inquiries received from governmental agencies.
- Review Management's monitoring of the Corporation's compliance with the Corporation's Code of Ethics, and ensure that Management has the proper review system in place to ensure that Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
- Review, with the Corporation's counsel, legal compliance matters including corporate securities trading policies.
- Discuss policies with respect to risk assessment and risk management. Such discussions should include the Corporation's major financial and accounting risk exposures and the steps Management has undertaken to control them.

### **Reporting Responsibilities**

- Report its activities to the Board on a regular basis and make such recommendations with respect to the above and other matters, as the Committee may deem necessary or appropriate.
- Review this Charter at least annually and recommend to the Board any changes warranted by new laws and regulations or as the Committee deems appropriate.

### **Other Responsibilities**

- Review, on a quarterly basis, transactions in the Corporation's securities by the Corporation's pension plans and by executives of the Corporation to ensure that none occurred during designated blackout periods. Ensure trustees are aware of blackout periods.

- Review, annually, the procedure for related party transactions and conflicts of interest (or potential conflicts of interest) to be reported to the Board.
- Review and approve, on a quarterly basis, all related party transactions for compliance with established policies and procedures.
- Review with the IPA, the Internal Audit Department and Management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)
- Prepare the report that the SEC requires be included in the Corporation's annual proxy statement.
- Annually, perform a self-assessment relative to the Committee's purpose, duties and responsibilities outlined herein.
- Perform any other activities consistent with this Charter, the Corporation's by-laws and applicable law, as the Committee or the Board deems necessary or appropriate.
- Work with Management to determine if current employee loan policies and procedures are in compliance with SOA. Adjust procedures as required to ascertain compliance with current regulations.
- Ensure that adequate insurance arrangements are in place for identified risks, in accordance with usual commercial practice.
- Review regular updates on accounting and corporate governance developments with an objective perspective of their impact to the Corporation and the Committee.
- Review the types of information presented to analysts and rating agencies to ascertain the absence of misleading information or omission of material facts.

This Charter may be amended by means of an express resolution of the Board.

This Charter will be effective immediately after its approval by the Board. The Secretary of the Board will certify it with his (her) signature and the corporate seal, indicating the date it was approved.

Approved by the Audit Committee Members and the Board of Directors

Revised as of March 15, 2004