Santander Holdings USA, Inc.

Treasury – Liquidity Risk Management

Enterprise Liquidity Risk Management Policy

Santander Holdings USA, Inc. (“SHUSA”) believes that our success is grounded in our values, which are also shared by Banco Santander, S.A. and its subsidiaries (collectively with SHUSA, “Santander”). Santander’s commitment to treat customers, colleagues and stakeholders in a manner that is *Simple, Personal and Fair* means that every action undertaken by a SHUSA Team Member is founded on *INTEGRITY, CUSTOMER COMMITMENT, PEOPLE, TEAMWORK, OWNERSHIP,* and *INNOVATION*. It is because of this commitment throughout the Santander organization that Santander’s customers, clients, and shareholders trust us to deliver world class products and services and select Santander. Safeguarding this trust – by always conducting business responsibly, with integrity and a disciplined approach to risk management – is a responsibility shared by each SHUSA Team Member.

Table of Contents

1. INTRODUCTION

1.1 Purpose of the Document

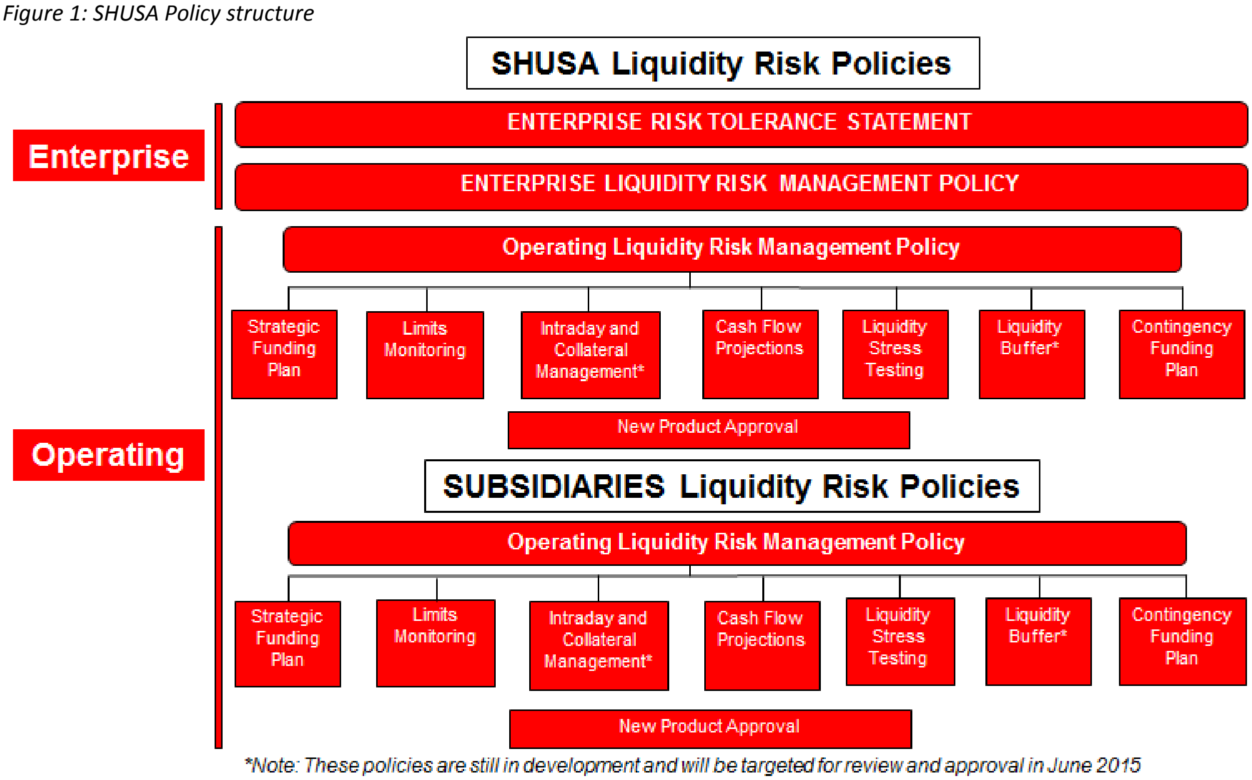
The Enterprise Liquidity Risk Management Policy ("Policy") sets out the principles and core parameters for liquidity management and governance for Santander Holdings USA, Inc. ("SHUSA") and its subsidiaries[1]. The Policy establishes liquidity risk management criteria, operating policies, functions and processes. The Policy also acts to ensure that liquidity is managed within the risk tolerance and limits established by the SHUSA Board of Directors ("Board") or a delegated committee.

1.2 Scope

The Policy is applicable to SHUSA as a bank holding company ("BHC") and consolidated entity, inclusive of all its subsidiaries and their respective liquidity risk management functions. All subsidiaries must, at a minimum, with respect to their liquidity risk management functions, adopt and implement the principles set forth in the Policy. The subsidiaries may further enhance their operating policies as necessary with proper approval from their respective boards of directors or delegated committees.

The Policy acts to cover all operating policies, procedures, action plans, and any other documents associated with liquidity, liquidity risk, and liquidity risk identification, measurement, monitoring, and control.

Figure 1: SHUSA Policy structure



[1] "Subsidiaries" refers to Santander Bank, National Association ("SBNA"), Santander Consumer USA Inc. ("SCUSA"), and all other entities that currently or will fall under the SHUSA Intermediate Holding Company

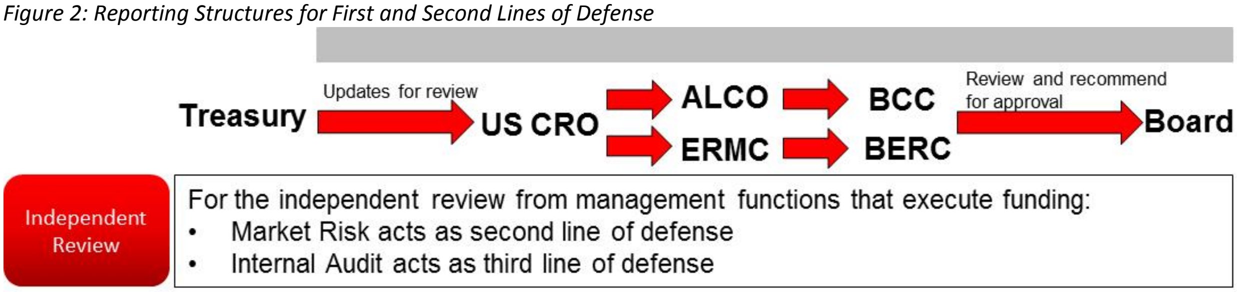
1.3 Document Approval and Maintenance

The Policy is owned and authored by the SHUSA Treasurer as part of the first line of defense. Changes are subject to review by the SHUSA Chief Risk Officer ("CRO") and the Asset Liability Committee ("ALCO"). The Board delegates direct governance and oversight responsibilities for liquidity planning and governance to the Board Capital Committee ("BCC"). There is a reporting chain between ALCO and the BCC for reporting any material risk issues. The Policy must be approved by the Board at least annually, or when any necessary changes occur.

The Policy must be independently reviewed at least annually by Market Risk as the second line of defense, making recommendations as appropriate based on evolving regulatory and management expectation. The Market Risk Committee submits its independent review findings to the Enterprise Risk Management Committee ("ERMC") for review, and subsequently submitted to the Board Enterprise Risk Committee ("BERC"), which reports directly to the Board.

Internal Audit, based on the result of its own risk assessment and/or for purposes of complying with independent review function requirement under the enhanced prudential standards ("EPS"), may include in its annual audit plan the review and evaluation of the adequacy and effectiveness of existing liquidity risk management processes in place. The review will also include the evaluation of the related Policy.

Figure 2: Reporting Structures for First and Second Lines of Defense



The Board, assuming final responsibility over the contents contained in the Policy, delegates full maintenance of the Policy, inclusive of the Operating Policy, appendices, procedures, and action plans covered under the scope of the Policy, to SHUSA Treasury under direct supervision of the SHUSA Treasurer.

1.4 Backup Responsibility

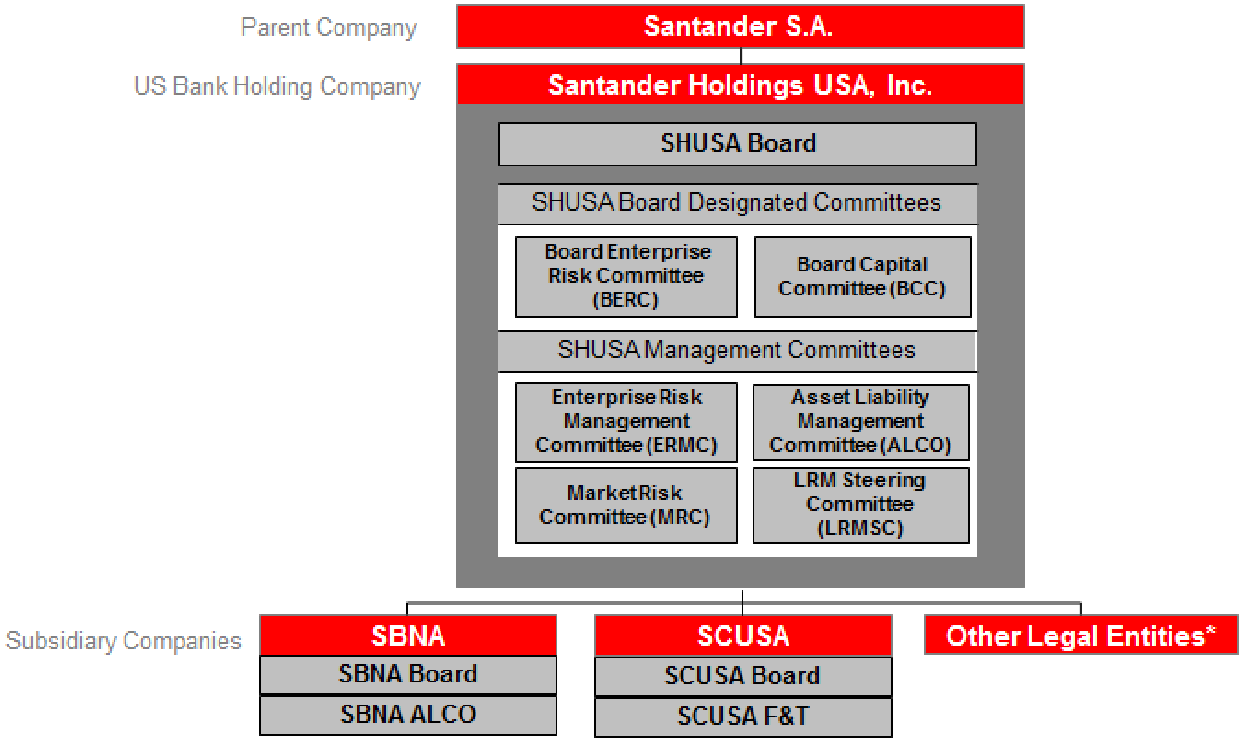
In the event the SHUSA Treasurer is incapacitated for any reason, the SHUSA CFO, or an individual designated by the SHUSA Treasurer or CFO, continuing to utilize the proper channel of communications, will assume responsibility for carrying out the duties and addressing the principles outlined in this Policy, the Operating Policy, its corresponding appendices, and all corresponding documents and procedures as they relate to liquidity risk management. This will help to ensure a smooth transition in the event of an emergency and provide a solid foundation for liquidity risk management succession planning.

2. GOVERNANCE AND ACCOUNTABILITY

2.1 Governance

SHUSA has established the following governance structure for effective liquidity risk management:

Figure 3: SHUSA Governance Structure



*Other Legal Entities to be incorporated as part of the Intermediate Holding Company regulations and timelines by end of 2016. Refer to Appendix D of this document for Santander Legal Entity depicted in the picture above.

The Board is responsible for reviewing and approving the Policy at least annually, or when necessary changes occur.

Board designated committees (BERC and BCC) are responsible for reviewing and recommending to the Board approval of the Policy at least annually, or when necessary changes occur.

Management committees (ERMC, ALCO, MRC and LRMSC) are responsible for reviewing and recommending to the Board-designated committees the approval of the Policy at least annually, or when necessary changes occur.

2.2 Responsibility to Control Subsidiaries

This document is a consolidated Enterprise Policy for SHUSA and its subsidiaries. All subsidiaries must, with respect to their liquidity risk management functions, adopt and implement the principles set forth in the Enterprise Policy.

The SHUSA Governance Guidelines[2] document describes the processes and methods by which SHUSA will govern its subsidiaries. The Board has vested SHUSA's management with the authorities necessary to implement the strategy and operate SHUSA within the parameters established by the Board.

[3] SHUSA Governance Guidelines document dated December 2014

Regulatory expectations of SHUSA, as a BHC, include that it serves as a source of strength for its bank subsidiary and provide effective enterprise risk management ("ERM") and oversight with respect to all of its subsidiary operations.

With respect to liquidity planning, SHUSA's Chief Financial Officer ("CFO") will lead liquidity planning for the consolidated BHC contemplating the sources, uses and risks across the organization inclusive of its subsidiaries. SHUSA will require the activities and resources to be in place throughout the organization to enable high quality liquidity risk management. The Board and management will oversee and monitor material liquidity developments and enactment of liquidity policies at the subsidiaries.

3. Policy

3.1 Policy Statement

For identifying, measuring, monitoring and controlling liquidity risk, it is the Policy that SHUSA and its subsidiaries have:

- A well-informed Board apprised regularly of SHUSA's liquidity risk exposure in order to assess the monitoring and controlling of liquidity risk consistent with the Board's guidance.
- Comprehensive, clear, Board-approved strategies, policies and documents used to manage a process to control liquidity risk, in business as usual and stressed conditions.
- A Board tasked with ensuring that senior management takes the steps necessary to monitor and control liquidity risk consistent with the approved strategies and policies.
- An ALCO that is responsible for managing liquidity risk and ensuring that there is adequate separation of duties in key elements of the risk management process to avoid potential conflicts of interest.
- A full understanding of the liquidity profile of the assets, liabilities, off-balance sheet items and banking activities for the measurement and management of liquidity risks.
- Quantitative and qualitative Key Risk Indicators ("KRIs") that allow senior management to manage liquidity risk prudently and efficiently.
- Treasury functions responsible for executing the liquidity risk measurement, monitoring, and control functions with clearly defined duties that are independent from position-taking functions of SHUSA.
- A diverse mix of funding sources by markets, maturities, instruments and counterparties.
- Adequate levels of highly liquid assets that can be used to meet liquidity needs during stress with no legal, regulatory, or operational impediments.
- Comprehensive Contingency Funding Plans ("CFPs") sufficient to address potential adverse liquidity events and emergency cash flow needs.

- Appropriate liquidity risk measurement and monitoring of management information systems (“MIS”).
- Reporting that provides senior management the required information to anticipate and prepare for liquidity issues that may arise.
- Management of intraday liquidity and collateral and end of day reconciliation of business line projections to actual cash movements in the Fed line account.
- Internal controls and other practices to ensure that exceptions to policies, procedures and limits are identified and reported in a timely manner to the appropriate level of management for action.
- Adequate internal controls surrounding all aspects of liquidity risk management.

3.2 Definitions

Liquidity risk is the risk that an institution’s financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations[3]. This risk is inherent in retail and commercial banking and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings, or market-wide phenomena such as market dislocation. SHUSA’s obligations, and the funding sources used to meet them, depend significantly on its business mix, balance-sheet structure, and the cash flow profiles of its on- and off-balance sheet obligations. In managing its cash flows, SHUSA confronts various situations that may give rise to increased liquidity risk. These include funding mismatches, market constraints on the ability to convert assets into cash or in accessing sources of funds, (i.e. market liquidity), and contingent liability events. Changes in economic conditions or exposure to credit, market, legal, operational, and reputational risks also can affect SHUSA’s liquidity risk profile and are considered in the assessment of liquidity and asset/liability management.

SHUSA categorizes liquidity into three distinct categories – Market Liquidity, Funding Liquidity and Contingent Liquidity, as defined below:

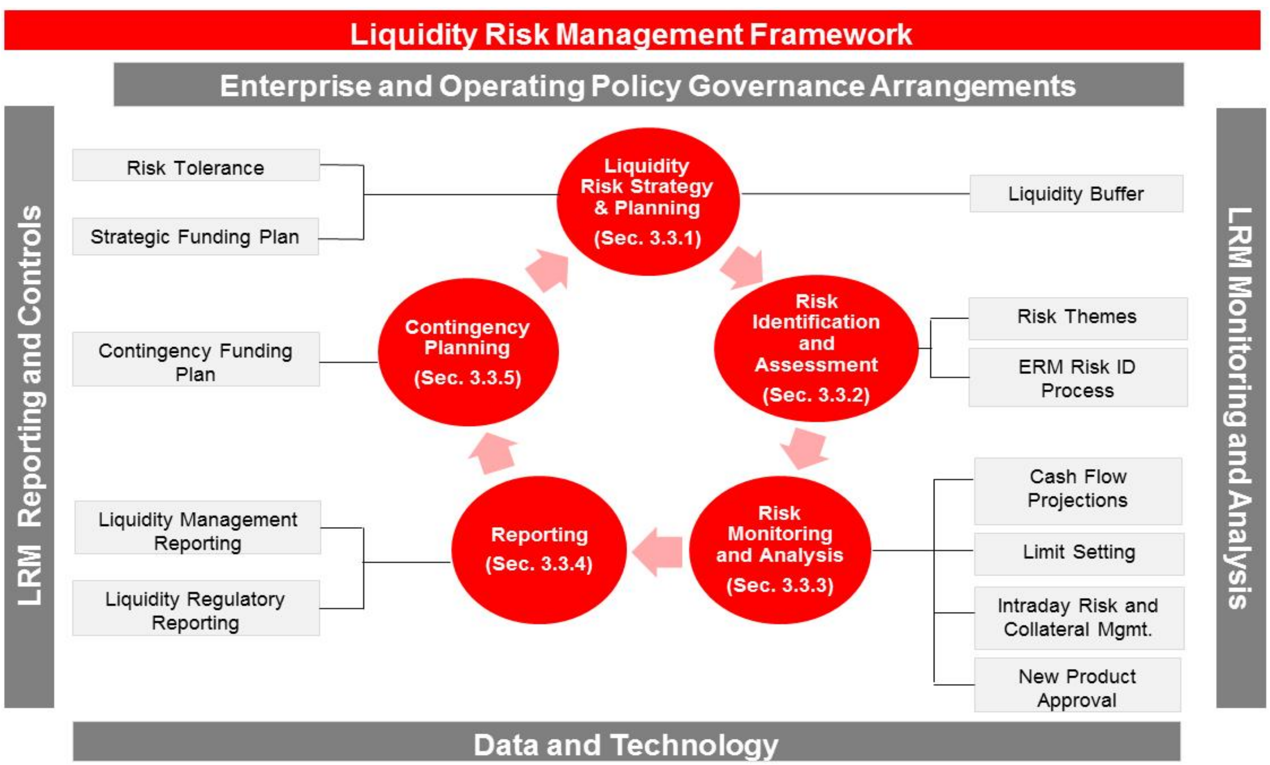
[4] Federal Reserve System - BHC Supervision Manual Sec. 4066.0, p.2, July 2010

Liquidity Risk Types	• **Market Liquidity** – The risk that the units cannot offset or eliminate a position or portfolio at the market price either due to lack of market depth, a reduction in market breadth, or a market disruption. • **Funding Liquidity** – The risk that the units will not be able to effectively and efficiently meet the expected and unexpected current and future cash flow and collateral needs without affecting either the daily operations or the financial condition of the units. • **Contingent Liquidity** – The risk that future events will create a greater need for cash than previously anticipated by management, given that commitments to lend are uncertain both in probability and amount. Contingency risk also describes the risk of issuing new liabilities, or replacing liabilities under difficult market conditions.

3.3 Risk Management Framework

SHUSA will follow the Liquidity Risk Management Framework, which is owned and managed by the SHUSA Treasurer as part of the 1st line of defense. This framework is set out below:

Figure 4: Liquidity Risk Management Framework



3.3.1 Liquidity Risk Strategy and Planning

3.3.1.1 Risk Tolerance[4]

SHUSA seeks to maintain a moderate risk tolerance business profile whereby the organization maintains strong capital levels and actively manages liquidity to maintain solvency at all times, including through adverse or severe situations. Further, SHUSA seeks to drive long-term stability, profitability and growth through meeting the needs of its customers and community, expanding the customer base through a diverse suite of products and services, and improving business and operational efficiency.

SHUSA is committed to establishing a risk management culture that marries business strategy with prudent risk-taking, transparency, and ethical business practices. This includes fair and transparent business practices and a zero-tolerance approach to willful non-compliance with all applicable laws, rules and regulations.

3.3.1.2 Strategic Funding Plan[5]

SHUSA's funding profile is characterized by higher wholesale secured borrowings than peers given that SCUSA is a consumer finance company that does not have deposits, and is therefore funded through secured wholesale borrowings. In addition, SBNA has an elevated loan to deposit ratio reflecting its prior status as a thrift institution, which has led to SBNA having lower amounts of low cost core commercial deposits. Other strategic considerations include balance sheet management, stickiness of retail deposits, buffer size, and contingent liabilities.

SHUSA has access to a wide range of funding sources to support its funding needs including but not limited to Deposits, Federal Home Loan Bank ("FHLB") Advances, Repurchase Agreements, Securitizations, Revolving Warehouse Lines, Issuance of debt securities – public, Issuance of preferred stock – public, Issuance of common stock – public, Private Amortizing Term Financing structures, AFS Securities Portfolio Sales, Asset Sales (including Flow Agreements), Retained Earnings, Dividends from subsidiaries, Funding From Parent Company and Federal Reserve Discount Window. When developing the Funding Plan, SHUSA incorporates the vulnerabilities of each funding source to determine whether SHUSA has adequate liquidity to support its plan.

3.3.1.3 Liquidity Buffer[6]

SHUSA maintains a liquidity buffer to ensure that it meets its obligations under both business-as-usual and stressed conditions. All liquidity buffer assets must be readily available at all times to meet SHUSA's liquidity needs and must be unencumbered. The liquidity buffer is composed of cash and cash equivalents, and unencumbered, high quality liquid assets ("HQLAs"), as defined by the US LCR[7].

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[4] See: SHUSA Risk Tolerance Statement Document

[5] See: SHUSA Strategic Funding Plan, Appendix 2 of the Liquidity Risk Management Operating Policy

[6] See: SHUSA Liquidity Buffer, Appendix 5 of the Liquidity Risk Management Operating Policy

[7] Liquidity Coverage Ratio: Liquidity Risk Measurement Standards, U.C. LCR – Final Rule

3.3.2 Risk Identification and Assessment

3.3.2.1 Enterprise Risk Management Risk ID Process

ERM is required to perform a Risk Identification ("Risk ID") assessment for SHUSA. ERM coordinates and centralizes the Risk ID process firm-wide whereas business lines are responsible for risk event identification. The SHUSA Risk ID process codifies product level exposure to highlight the most material risks and support prioritization of risk management and mitigation strategies. In terms of liquidity risk management, Treasury is the main business function to identify liquidity risk events and, therefore, is responsible for centralizing and rationalizing all liquidity risk events identified by all line of business units. Risk IDs are mapped to the liquidity risk themes for completeness as part of the liquidity stress testing ("LST") scenario generation process.

The Liquidity Risk ID process requires the following steps:

- The ERM Group performs Risk ID and Assessment analysis identifying the totality of risk events and assessing severity in one of five qualitative risk buckets (low, low to moderate, moderate, elevated and high);
- Treasury evaluates all risk events categorized as "liquidity";
- To ensure comprehensive risk capture, all liquidity risk events are then mapped to ten liquidity risk themes defined by the Financial Services Authority's ("FSA") Sources of Risks (as discussed in section 3.3.2.2); and
- The Risk Event selection process results in a liquidity risk "heat map" which captures the nature of SHUSA's liquidity risks and vulnerabilities.

3.3.2.2 Risk Themes

The FSA defines ten sources of liquidity risk themes to help firms achieve the expected standard of LST practices[8]. The FSA considers this list the inventory of sources of liquidity risk events that could crystallize in a liquidity stress event.

The ten risk themes[9] are used by Treasury as an input to the SHUSA Risk ID process, to codify ERM Risk IDs into observable categories of liquidity risk.

Table 2: FSA's 10 sources of liquidity risk themes

	Risk Themes	Definition
1	**Wholesale funding risk**	Constraint on rollover or refinancing of maturing wholesale funding
2	**Retail funding risk**	Loss of retail funding due to a loss of customer confidence in SHUSA ("run on the bank")
3	**Marketable assets risk**	Significant drops in the market value of assets, impacting sale and repo capability
4	**Non-marketable assets risk**	Inability to generate liquidity through securitization or

[8] Financial Services Authority UK 09/16 "Strengthening Liquidity Standards" ILAA methodology
[9] See: SHUSA Liquidity Stress Testing, Appendix 7 of the Liquidity Risk Management Operating Policy

		covered bond programs
5	**Off balance sheet exposures**	Increased funding requirements due to contingent liabilities, commitments given and received and derivatives
6	**Funding concentration risk**	Over reliance on certain funding sources by product, counterparty, duration, etc.
7	**Franchise risk**	Cost of protecting key clients during stress periods to protect franchise value and reputation
8	**Intra-group liquidity risk**	Overreliance on inflows from other entities, and potential disruptions to transfer of liquidity
9	**Cross-currency liquidity risk**	Potential disruptions in currency mismatches on inflows / outflow
10	**Intra-day liquidity risk**	Needs to fulfill SHUSA's own and customer's payments, clearing and settlement activities

3.3.3 Risk Analysis

3.3.3.1 Cash Flow Projections[10]

Forward-looking cash flow generation is a critical process in liquidity risk management and hence it is the policy of SHUSA to generate cash flow projections reports at a regular interval across multiple time horizons. In addition, SHUSA as a BHC and as a consolidated entity is required to produce comprehensive short-term and long-term cash flow projections.

3.3.3.2 Intraday and Collateral Management[11]

SHUSA must actively monitor its collateral management and intraday liquidity position in order to meet payments and settlement obligations. Collateral, legal entity and intraday liquidity management is crucial to a well-functioning liquidity-risk framework. The intraday and collateral management document, which is currently in development, will discuss and examine the current reports that SHUSA utilizes to manage collateral and intraday liquidity risks.

Collateral and reserve requirements usually include cash operating accounts (vault cash, cash items in process, correspondent accounts, accounts with the Fed and other cash or "near cash" instruments (i.e. discount notes FHLB)). These are the primary tools to execute intermediate cash transaction obligations. Further, SHUSA must monitor and evaluate any issues where liquidity netting or transferability may be limited due to questions of legal enforceability or claim.

3.3.3.3 Limit Setting[12]

SHUSA must set and manage operating limits, including time horizon, concentration and structural limits to give effect to SHUSA's Risk Tolerance and ongoing liquidity risk monitoring. The monitoring of operating limits is the core tool for the decision making process, mandating that no risks are taken beyond those deemed acceptable.

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[10] See: SHUSA Cash Flow Projections in Liquidity Stress Testing, Appendix 7 of the Liquidity Risk Management Operating Policy
[11] See: SHUSA Intraday and Collateral Monitoring, Appendix 5 of the Liquidity Risk Management Operating Policy
[12] See: SHUSA Liquidity Risk Management Limits, Appendix 4 of the Liquidity Risk Management Operating Policy

3.3.3.4 New Product Approval[13]

Significant business lines and products must be reviewed to determine whether any line or product creates or has created any unanticipated liquidity risk, and to determine whether the liquidity risk of each strategy or product is within SHUSA's established liquidity risk tolerance. SHUSA is in the process of implementing its enhanced new products/business activities process.

3.3.4 Reporting

Liquidity risk reporting includes internal management reporting and external regulatory liquidity risk reporting. Report production must be done in a timely manner across multiple variables, scenarios and horizons and distributed regularly to ALCO, senior management and the Board. Ratio calculations and projections, LST, KRI analysis and other duties must be performed periodically for management reporting and regulatory filings. MIS must provide adequate, timely and reliable access to the models and data necessary for liquidity management, and data quality must be accurate and sufficient to support reporting of the risk exposures (segregation by business line, segments/activities, and products). Escalation procedures must be established to report significant liquidity risk management matters to the SHUSA Board as needed.

NOTE: *Further information about internal liquidity risk reporting and external regulatory liquidity reporting is provided in section 5 and Appendix E of this document.*

3.3.5 Contingency Planning

3.3.5.1 Contingency Funding Plan[14]

The objective of the SHUSA CFP is to ensure that SHUSA's sources of liquidity are sufficient to fund normal operating requirements under contingent events[15]. The CFP also identifies alternative contingent liquidity resources that can be employed under adverse liquidity circumstances. The CFP describes the end-to-end CFP management process, including identification of stress events, assessment of severity levels, compares quantification of funding needs identified by stress testing and potential funding sources in the CFP, escalation, activation of the Liquidity Event Management Framework ("LEMF"), and process for de-activation of the CFP.

The CFP prescribes specific courses of action designed to address unforeseen problems and prepare SHUSA for additional funding pressures should they develop. The CFP will assist in navigating through a fast-evolving liquidity crisis. The CFP serves as a centralized repository for the information, tasks, and procedures that will facilitate management's decision-making process and timely response to any disruptive or extended interruption of liquidity and funding availability/options.

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[13] See: SHUSA New Product Approval Document, Appendix 6 of the Liquidity Risk Management Operating Policy

[14] See: SHUSA Contingency Funding Plan V1.0, Appendix 8 of the Liquidity Risk Management Operating Policy

[15] Federal Reserve System - SR Letter 10-6, "Interagency Policy Statement on Funding and Liquidity Risk Management," p. 11

4. Roles and Responsibilities

4.1 Three Lines of Defense

SHUSA and its subsidiaries have established a multilayered system of checks and balances to effectively identify and manage liquidity risk following a “three lines of defense” model[16].

In accordance with this model, the roles and responsibilities of the critical parties involved in liquidity risk management are as follows:

- *Treasury*: is the first line of defense by assessing and managing the risks associated with SHUSA’s liquidity profile and market activities. Treasury is responsible for developing the Enterprise Liquidity Risk Management Policy, operating policies and procedures that implement the requirements for effectively managing liquidity risk in business as usual and stressed conditions and executing the liquidity risk mandate approved by the Board.

- *Market Risk*: is the second line of defense by providing independent oversight of SHUSA’s liquidity risk management practices and lending activities, and challenging the Line of Business (“LOB”) assumptions and liquidity analyses. Market Risk is responsible for controlling and monitoring the compliance with the Enterprise Policy.

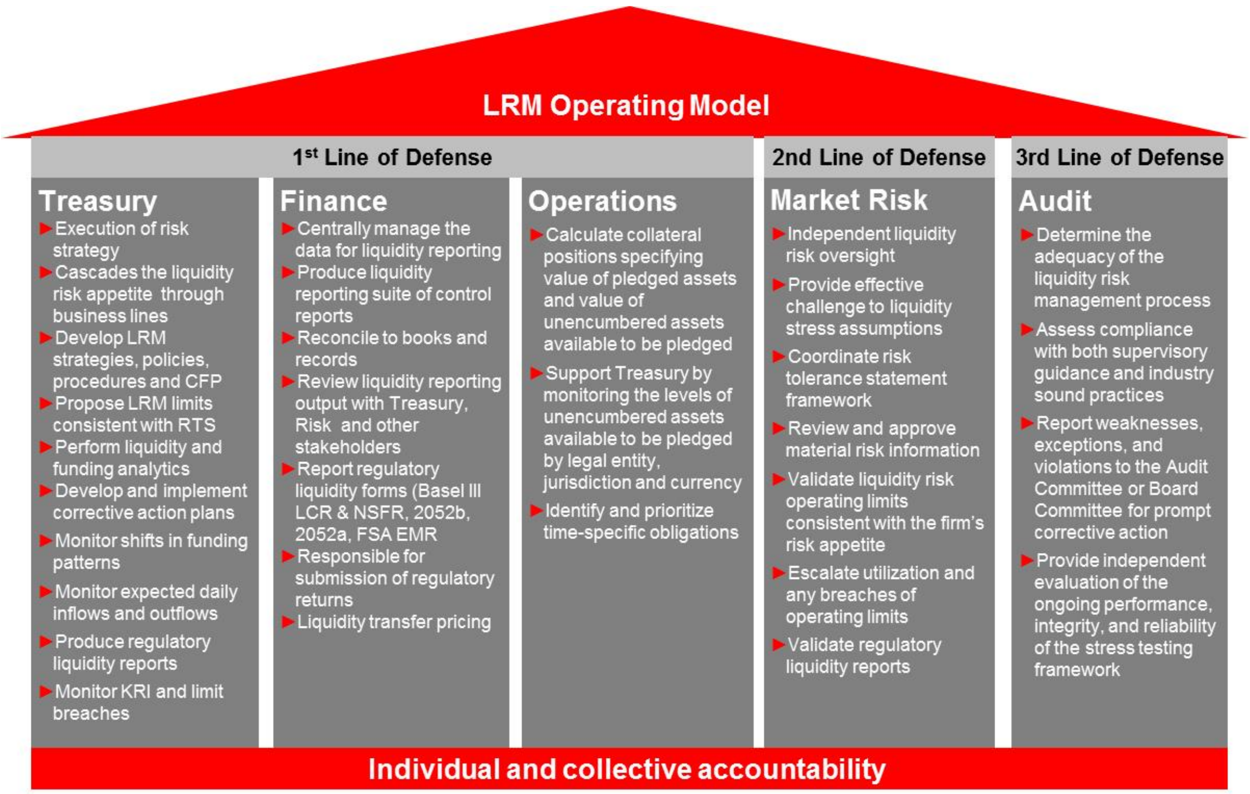
- *Internal Audit*: is the third line of defense by assessing whether the first and second lines of defense are effectively meeting their responsibilities and adhering to the risk management guidelines established by the Board, as well as the laws and regulations governing SHUSA operations.

4.2 Liquidity Risk Management Operating Model

The Operating Model in Figure 2 below lists some of the broad, functional roles and responsibilities of Treasury, Finance, Operations, Risk/Market Risk, and Internal Audit, with respect to Liquidity Risk Management acting as the three lines of defense.

[16] See SHUSA ERM Market and Liquidity Risk Management Framework v1.0, Section 4.6

Figure 6: Liquidity Risk Management Operating Model



4.3 Responsibilities of Groups under the three Lines of Defense

4.3.1 Treasury (under supervision of the Chief Financial Officer)

Treasury	• Develop Liquidity Risk Management strategies, policies, procedures and the CFP • Propose to ALCO investment, funding diversification and maturities, and hedging strategies for approval • Execute ALCO-approved strategies • Rebalance and manage investment, funding, and hedge position as directed by ALCO • Report all investment, funding, and derivatives activities to ALCO on a monthly basis • Perform liquidity and funding analytics • Develop and implements corrective action plans • Conduct Liquidity Stress Tests • Connect stress test results to the CFP

4.3.2 Finance (under supervision of the Chief Financial Officer)

Finance	• Maintain accounting policies and procedures relating to financial instruments • Provide P&L calculations for investment security sales • Reconcile to books and records • Centrally manage the data for liquidity reporting • Produce regulatory liquidity reports (Basel III US LCR & NSFR, Fed 5G, FSA EMR) • Produce liquidity reporting suite of control reports • Review liquidity reporting output with Treasury and other stakeholders • Responsible for submission of regulatory returns • Develop and maintain Funds Transfer Pricing process (IRR vs. liquidity) to transfer inherent business risk to Treasury

4.3.3 Operations (under supervision of the Head of Technology and Operations)

Operations	• Calculate collateral positions specifying value of pledged assets and value of unencumbered assets available to be pledged • Monitor the levels of unencumbered assets available to be pledged by legal entity, jurisdiction and currency • Monitor shifts in funding patterns between intraday, overnight and term pledging • Monitor expected daily inflows and outflows • Identify and prioritize time-specific obligations

4.3.4 Market Risk (under supervision of the Chief Risk Officer[17])

Market Risk	• Oversee the establishment of risk limits on an enterprise-wide basis and the monitoring of compliance with such limits • Oversee the implementation of and ongoing compliance with the policies and procedures approved by the Board • Oversee the management of risks and risk controls within the parameters of SHUSA's risk control framework, and monitoring and testing of SHUSA's risk controls • Provide effective challenge on the liquidity stress testing including cash flow projections, scenarios, assumptions, and test results • Oversee Treasury Models are in compliance with Model Risk Management principles and guidelines • Monitor and escalate KRI and limit breaches (delegated to Market Risk Officer for reporting to the CRO)

[17] As required under Regulation YY § 252.156 (b), the U.S. chief risk officer of a foreign banking organization with combined U.S. assets of $50 billion or more must review the strategies and policies and procedures established by senior management of the U.S. operations for managing the risk that the financial condition or safety and soundness of the foreign banking organization's combined U.S. operations would be adversely affected by its inability or the market's perception of its inability to meet its cash and collateral obligations (liquidity risk)

4.3.5 Internal Audit (under supervision of the Audit Committee)

Internal Audit	• Review liquidity risk management at a global level • Validate alignment with the global liquidity risk framework and supervisory expectations • Validate the effectiveness of liquidity risk measurement techniques used to monitor the firm's liquidity risk profile • Identify whether breaches in liquidity risk limits are being appropriately identified, escalated and reported • Regulatory compliance and best practices

4.2 Responsibilities of Committees

Below is a summary of the roles and responsibilities of the different Board and management committees which follow regulatory guidance and best practices. [18,19] Board and senior management committees consist of ALCO, BERC, and BCC. The primary roles of these committees are to ensure that liquidity risk management strategies, policies and procedures are adequate for SHUSA's sophistication and complexity, and that these policies and procedures are appropriately executed on both a long-term and day-to-day basis, in accordance with Board delegations (see Section 5.3.1 for the SHUSA reporting structure).

4.2.1 Board of Directors

Board of Directors (Board)	• Ensure the liquidity risk tolerance is established and communicated in such a manner that all levels of management clearly understand SHUSA's approach to managing the trade-offs between liquidity risk and short-term profits • The Board, or its delegated committee of board members, must oversee the establishment and approval of liquidity management strategies, policies and procedures, and review them at least annually • Approve the acceptable level of liquidity risk that SHUSA may assume in connection with its operating strategies (liquidity risk tolerance) at least annually • Understand the nature of SHUSA's liquidity risks and periodically review information necessary to maintain the information • Establish executive-level lines of authority and responsibility for managing and executing SHUSA's liquidity risk • Enforce management's duties to identify, measure, monitor, and control liquidity risk • Review and approve SHUSA's and its subsidiaries' CFPs at least annually • Understand the liquidity risk profile of SHUSA's subsidiaries and affiliates as appropriate • Review LST results at least quarterly, and scenarios and assumptions at least annually or when necessary changes occur

[18] Federal Reserve System - SR Letter 10-6 "Interagency Policy Statement on Funding and Liquidity Risk Management", Corporate Governance, p.3

[19] Dodd-Frank Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations, (Regulation YY) March 2014

4.2.2 Board Capital Committee[20]

Board Capital Committee (BCC)*	• The BCC reports directly to the SHUSA Board. The Board delegates oversight responsibilities for liquidity risk management activities to the BCC • Review at least annually and recommend to the Board for approval SHUSA's Enterprise Liquidity Risk Management Policy, operating policies and procedure documents • Oversee the operation of the SHUSA's liquidity risk management • Oversee the development and implementation of liquidity risk measurement and reporting systems, as directed by the Board • Approve any material revisions to the CFP prior to the implementation of such revisions • Receive and review regular reports on not less than a quarterly basis from SHUSA's ALCO • Meet regularly, or at least quarterly, to review and discuss liquidity operations

*The SHUSA Board of Directors is considering consolidation of this committee into the Board Enterprise Risk Committee ("BERC")

[20] See: SHUSA BCC charter for further details on membership, roles and responsibilities, reporting structure, meeting frequency, and decision making criteria

4.2.3 Asset/Liability Committee[21]

Asset/Liability Committee (ALCO)	• Part of first line of defense and responsible for oversight of the financial resources of the company working closely with Treasury • Establish and implement strategies, policies and procedures designed to effectively manage liquidity risk and recommend them to the BCC for approval • Determine at least quarterly whether the organization is operating in accordance with liquidity risk policies and procedures • Review and assess the management of funding and liquidity within the risk appetite and limits set by the Board and review SHUSA's compliance with those limits at least quarterly • Oversee the development and implementation of liquidity risk measurement and reporting systems • Review and assess SHUSA's funding profile considering diversification, future funding needs, and market developments • Review and assess SHUSA's liquidity profile considering capital position, collateral management, asset/liability management ("ALM") position, pricing of term liquidity, internal risk rating hedging strategies and costs, and the impact of customer behavior on liquidity sources • Review LST results at least monthly, and scenarios and assumptions at least annually or when necessary changes occur • Approve and recommend to the BCC the size and composition of the liquidity buffer established • Review the cash-flow projections at least quarterly or more often if there are material changes in market conditions or SHUSA's liquidity profile to ensure that the liquidity risk is within the established liquidity risk tolerance • Report to the Board regarding SHUSA's liquidity risk profile and liquidity risk tolerance at least quarterly, or more often if there are material changes in market conditions or SHUSA's liquidity profile • Supply the Board and BCC with all necessary reports and analysis for the Board to execute its responsibilities outlined in section 4.2.2 *Note: The Liquidity Risk Management Steering Committee ("Liquidity Risk Management Steering Committee") reflected below in Figure 3 is the designated subcommittee of the ALCO.*

[21] See: SHUSA ALCO charter for further details on membership, roles and responsibilities, reporting structure, meeting frequency, and decision making criteria

4.2.4 Board Enterprise Risk Committee[22]

Board Enterprise Risk Committee (BERC)	• Reports directly to SHUSA's Board. The Board delegates to the BERC, as the 2nd Line of Defense, oversight responsibilities for all risk-taking and risk management activities, including liquidity risk management • Review at least annually and recommend to the Board for approval SHUSA's Risk Management Framework, Risk Tolerance Statement and Enterprise Risk Management policies and oversee the operation of the risk management framework • Review at least annually and approve the CFP; Approve any material revisions to the CFP prior to the implementation of such revisions • The BERC receives and reviews regular reports on not less than a quarterly basis from SHUSA's chief risk officer

4.2.5 Enterprise Risk Management Committee[23]

Enterprise Risk Management Committee (ERMC)	• Oversee the development and implementation of liquidity risk measurement and reporting systems as directed by the BERC as the second line of defense • Meet regularly or at least on a quarterly basis to review and discuss liquidity operations • Report to the BERC regarding SHUSA's liquidity risk profile and liquidity risk tolerance at least quarterly or more often if there are material changes in market conditions or SHUSA's liquidity profile

4.2.6 New Products and Business Activities Committee (NPBA)[24]

New Products and Business Activities Committee (NPBA)	• Ensure that new products have been adequately identified, with risks considered and informing appropriate levels of authority as needed • Evaluate liquidity costs, benefits, and risks of each new business line, product, and liability that could have a significant effect on the SHUSA's liquidity risk profile • Ensure that liquidity risk of the new business line or product (under both current and stressed conditions) is within SHUSA's established liquidity risk tolerance • Review at least annually significant business lines and products to determine whether any line or product creates or has created any unanticipated liquidity risk, and to determine whether the liquidity risk of each strategy or product is within SHUSA's established liquidity risk tolerance

[22] See: SHUSA BERC charter for further details on membership, roles and responsibilities, reporting structure, meeting frequency, and decision making criteria
[23] See: SHUSA ERMC charter for further details on membership, roles and responsibilities, reporting structure, meeting frequency, and decision making criteria
[24] See: SHUSA NPBA charter for further details on membership, roles and responsibilities, reporting structure, meeting frequency, and decision making criteria

5. Reporting

5.1 Liquidity Risk Management Reporting

Adequate tools must exist to assess liquidity needs and trends, as well as changes in assessment levels across financial products and business lines, for both normal and abnormal market conditions. Such tools will also facilitate the communication of liquidity usage and funding adequacy in a timely and effective manner. SHUSA uses the following key reporting tools to measure and monitor liquidity risk:

5.1.1 Business as Usual Management Reporting and Monitoring[25]

5.1.1.1 Survival Horizon

The Survival Horizon is designed to measure the number of days remaining until the Bank will have a cash shortfall. The only items considered in calculating this shortfall are wholesale term funding, cash, and unencumbered securities. The metric does not consider any Non-Maturity Deposits, CDs (excluding wholesale CDs) or Loans in calculating the metric.

5.1.1.2 Liquidity Buffer Monitoring

SHUSA is required to maintain a liquidity buffer of cash and high quality unencumbered assets, to meet the additional need for funding that may arise over a defined short period of time under stress conditions. Size of the liquidity buffer is determined by the results of the LST and periodical testing of the components of the CFP to assess its reliability during liquidity stress events, including trial runs of the operational elements to ensure they work as intended during stress.

5.1.1.3 Liquidity Gap (Cash Flow Mismatches)

The objective of a Liquidity Cash Flow Gap Analysis is to show the liquidity risk profile or cash flow mismatches on a specific date, assuming normal business and market conditions. The Liquidity Gap Analysis provides information on the expected sources and uses of cash, for specific time periods and in each currency SHUSA operates.

The cash flows considered in a contractual Liquidity Gap Analysis will be generated by: (1) observable contractual maturities of assets and liabilities; (2) statistical approximations or scenarios derived for expected cash flows associated with assets and liabilities for which a maturity is unknown (i.e. demand deposits, loan prepayments, outstanding checks, etc.). Contractual cash flows may be modified from their original maturity if the asset is pledged or available to pledge.

Treasury is responsible for, at least monthly, performing the contractual liquidity gap analysis including both on- and off-balance sheet items. The objective of these analyses is to group all balance sheet items defined by contractual maturity or cash flow expectation to provide a clear view of the cash flow liquidity profile of SHUSA and its subsidiaries.

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[25] See: A summary of reports that facilitate business as usual ("BAU") liquidity monitoring, are listed in Appendix E.

5.1.1.4 Structural Liquidity Ratio

The Structural Liquidity Ratio is a monthly analysis presented to the ALCO which differentiates illiquidity arising from internal and external sources. It sums up illiquidity arising from commercial and retail banking, illiquidity from the securities portfolio and structural funding and the extent of the recourse to short-term money markets.

5.1.1.5 Liquidity Coverage Ratio

The Liquidity Coverage Ratio is a monthly analysis presented to the ALCO which is an industry-wide metric which applies to all entities with assets greater than $50B.The spirit of the ratio is for covered companies to hold a sufficient amount of liquid assets to cover net outflows over a prescribed scenario over a 30 day period.

5.1.1.6 Intraday Liquidity Monitoring

Treasury performs daily monitoring for SBNA intraday liquidity and reconciles, end of day, business line projections to actual cash movements in the Fed line account.

5.1.2 Key Risk Indicators[26]

SHUSA must actively monitor liquidity risk exposures, KRIs and funding needs across business lines and subsidiaries, taking into account the interconnectedness between the subsidiaries and any legal, regulatory and/or operational limitations to the transferability of liquidity, when applicable.

A KRI dashboard identifies and monitors potential threats, enabling SHUSA to respond to risks before they escalate. The KRI Dashboard is monitored by Treasury daily using information from MIS and market service providers. The KRI report is distributed to members of the ALCO on a monthly basis.

KRIs include a range of risk triggers aligned to the liquidity risk themes that are mapped to SHUSA's risk exposure. Two key attributes of KRIs are[27]:

- KRIs are not considered definitive indicators of liquidity issues and are used as a management tool, whereby one or more indicators may indicate an escalation of liquidity issues. These triggers are intended to prompt further management investigation of potential issues;
- Some KRIs may have been identified based on historical trends. Changes in market conditions or in SHUSA's balance sheet activity will necessarily require re-evaluation and adjustment of triggers, to ensure the usefulness of this risk measurement tool.

Quantitative measures help avoid potential hesitancy in escalating issues, while qualitative triggers facilitate management exercise of expert judgment. Early identification of potential liquidity risk conditions provides management with the ability to appropriately respond by re-evaluating business priorities and repositioning activities to optimally withstand a potential liquidity stress event. An adequate set of liquidity risk reports and analysis tools must be in place in order to prudentially assess

[26] See: SHUSA Contingency Funding Plan V1.0, Appendix 8 of the Liquidity Risk Management Operating Policy
[27] Source: Matz, L. (2011: 349) *Liquidity Risk Measurement and Management: Basel III and Beyond*, Xlibris Corporation, Bloomington, IN, p. 317

cash-flows, determine liquidity use and adequacy in all phases of the exposure lifecycle, and ensure consistent decision criteria are followed across SHUSA and its subsidiaries.

5.1.3 Liquidity Stress Testing[28]

LST refers to exercises used to conduct forward-looking assessments of the potential impact of various hypothetical, adverse events and circumstances on a banking organization[29]. SHUSA is required to produce a comprehensive, integrated, and forward-looking set of LST in order to assist in the identification and measurement of its material risks and vulnerabilities. Development and implementation of the stress testing framework is being done in a manner commensurate with the size, complexity, business activities, and overall risk profile of the liquidity stress scenarios.

Four liquidity stress scenarios are currently modelled, including Market, Idiosyncratic, Combined, and a Less-than-Well-Capitalized stress scenario. The scenarios are updated periodically and are not limited to the four stress scenarios identified. SHUSA can elect to perform additional analyses of key risks to ensure that all major risk themes are identified and assessed.

Note: Subsidiaries are responsible for running their own stress tests and developing and maintaining their own stress testing procedures.

5.2 Liquidity Risk Regulatory Reporting

SHUSA must comply with all regulatory requirements. The FR 2052b is currently in production for SHUSA and the FR 2052a and US LCR reports will be operational for SHUSA by the end of the year. SHUSA currently complies with regulatory reporting requirements[30] and will produce other liquidity risk related reports per regulatory guidelines.

5.3 Reporting Structures

Adequate tools must exist to assess liquidity needs and trends, as well as changes in assessment levels across financial products and business lines, for both normal and abnormal market conditions. Such tools will also facilitate the communication of liquidity usage and funding adequacy in a timely and effective manner. SHUSA uses the following key reporting tools to measure and monitor liquidity risk:

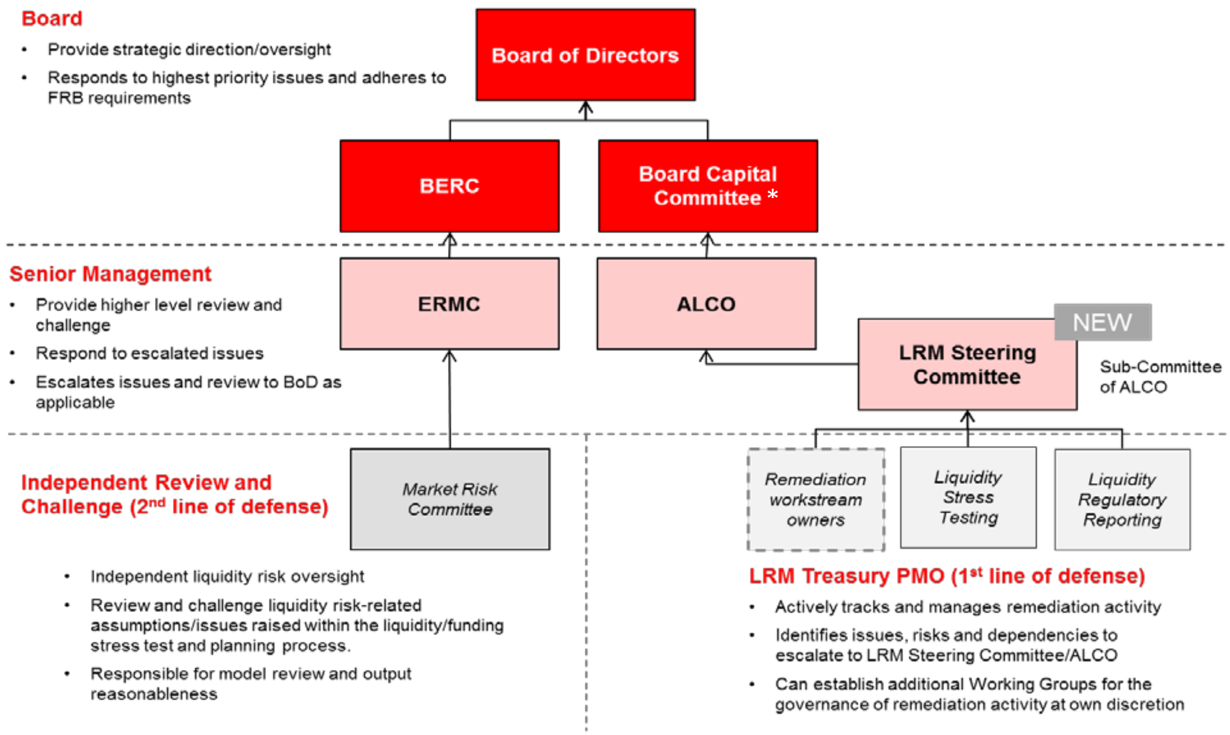
5.3.1 SHUSA Reporting Structure

Figure 7: SHUSA Liquidity Risk Management Committee Structure

[28] See: SHUSA Liquidity Stress Testing, Appendix 7 of the Liquidity Risk Management Operating Policy

[29] Federal Reserve System - SR Letter 12-7 “Supervisory Guidance on Stress Testing for Banking Organizations with More Than $10 Billion in Total Consolidated Assets,” p. 1

[30] Federal Reserve System - SR Letter 10-6 “Interagency Policy Statement on Funding and Liquidity Risk Management”, Corporate Governance, p.3



*The SHUSA Board of Directors is considering consolidation of this committee into the BERC

5.3.2 Subsidiary Reporting

All subsidiaries must develop their own internal reporting structures in addition to maintaining their own respective operating policies/documents. However, senior management at each subsidiary is also responsible for establishing and maintaining clear lines of communication with the SHUSA Treasurer concerning any updates or changes associated with the policies/documents. Subsidiary Treasury/Treasurers are accountable to their respective ALCOs and Board and they report functionally to the SHUSA Treasure, ALCO and Board. This is to ensure that the changes made remain, at a minimum, consistent with the principles laid out in this Policy, the SHUSA operating policy, its corresponding appendices, and all other procedures and documents related to liquidity risk management.

6. Exceptions

SHUSA and all subsidiaries must, at a minimum, adopt and implement the principles set forth in this Policy with respect to their liquidity risk management functions. Any exceptions will be documented, tracked by Treasury and go through the required approval and authorization process as exceptions occur.

<u>Note:</u> *For more information regarding exceptions to the Policy, refer to the SHUSA Governance Guidelines Policy*.

Escalations will take place through the 1st and 2nd lines of defense. The Treasurer will escalate exceptions to ALCO for approval, which will in turn escalate any exception to the BCC and Board (if necessary). Market Risk will escalate exceptions to the ERMC, which will in turn escalate any exception to the BERC and Board (if necessary). All approved exceptions will be reported on a quarterly basis to the Board (if not previously escalated to the Board).

7. Document History and Version Control

7.1 Ownership and Authorship

Version	Date	Author	Owner	Change
1.0	May 29th, 2015	SHUSA Treasury	SHUSA Treasurer	Initial Version

7.2 Sign Off

Approving Body	Governance Committee Approval or Endorsement	Final Approval Date
SHUSA Board	SHUSA ALCO	May 29th, 2015

Appendix A: Key Contacts

Title	Role	Name and Contact
SHUSA Treasurer	Policy Owner	Juan Carlos Alvarez, Jalvare1@Santander.us, 617-757-3520
SHUSA Liquidity Risk Management Director	Primary point of contact on policy related matters	Manuel Aya Manuel.ayasmitmans@Santander.us, 617-646-2570

Appendix B: Regulatory Guidance Addressed by this Policy

Regulatory Agency	Citation	Title
Federal Reserve System	Sec. 4066.0, page 2, July 2010	BHC Supervision Manual
Federal Reserve System	SR Letter 10-6, Corporate Governance, pages 1, 3, 11, 15	Interagency Policy Statement on Funding and Liquidity Risk Management
Federal Reserve System	12 CFR Part 252	Dodd-Frank Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations
Federal Reserve System	(Regulation YY) March 2014	Dodd-Frank Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations
Financial Services Authority ("FSA") UK	ILAA methodology, Publish Date 9/16	Strengthening Liquidity Standards
Basel Committee on Banking Supervision	Page 11,15 January 2013	Basel III: LCR and liquidity risk monitoring tools

Appendix C: Related Policies and Process and Administrative Documents

Document Type	Entity and Department	Owner	Document Title
Operating Policy	SHUSA Treasury	SHUSA Treasurer	SHUSA Operating Liquidity Risk Management Policy

Appendix D: Santander Legal Entities

Santander Holdings USA, Inc.

SHUSA is a BHC regulated by the Federal Reserve Board of Governors (the "Federal Reserve"). It is a wholly-owned subsidiary of Banco Santander, S.A. ("Santander S.A."), located in Spain, and is considered a foreign bank subsidiary under Enterprise Prudential Standards issued by the Federal Reserve, amongst other regulations.

Santander Bank, National Association

Santander Bank, National Association ("SBNA") is a full-service depository institution operating primarily in the mid-Atlantic and northeastern United States. SBNA is a national bank regulated by the Office of the Comptroller of the Currency ("OCC") under the National Bank Act.

Santander Consumer USA, Inc.

Santander Consumer USA, Inc. ("SCUSA") is a technology-driven consumer finance company focused on the vehicle finance and unsecured consumer lending markets. It is currently owned approximately 60.5% by SHUSA, 10.0% by an entity affiliated with its Chief Executive Officer and 29.5% by external parties.

Banco Santander, S.A.

Santander S.A. is a worldwide financial group located in Spain and also has significant operations in the United Kingdom, Germany, other European countries, Brazil and other Latin America countries, and the United States.

Santander S.A.'s model with respect to foreign subsidiaries is that each is a fully self-contained entity that manages its capital, funding and liquidity in situations of ordinary business activity. Specifically, Santander S.A.'s model requires that each entity maintain a sufficient level of liquidity to carry out activities independently in any economic environment and comply with regulatory requirements while operating within the corporate framework.

Appendix E: Liquidity Risk Monitoring Reports

MONITORING/ REPORTING TO IDENTIFY EMERGING LIQUIDITY STRESS EVENTS					
Report Title	**Frequency**	**Purpose**	**Metrics/EWIs used**	**Production Team**	**Review Team**
Treasury Daily Liquidity Reporting Pack	Daily	Monitor, forecast and document daily balances and movements	L/D ratio, B/S and NII evolution & vs budget, CF Forecasts, Collateral source and use matrix, Outstanding wholesale funding (L/T Obligations, Brokered Deps, FHLB Borrowings), Swap MTM, MS rights analysis, Available Liquidity, EWI, TP Curve, Limit control, NY reports	Treasury	Treasury
Federal Reserve Liquidity Report	Daily	Monitor liquidity position for different entities	Liquidity Reports for Banco Santander NY Branch, Abbey Nat Treasury Services US Branch, Banco Santander PR, SBNA and BSI Miami	Treasury (from each site)	Treasury SBNA (for consolidation)
Closing Fed Balance	Daily	Make Senior Management aware of the daily cash position	SBNA Cash position at closing	Treasury	Treasury
SHUSA and SBNA Indicative Pricing Levels Report for Group	Weekly	Review pricing levels	Prices from varies sources	Treasury	Treasury
FR2900 Federal Reserve Requirement Report	Fortnightly	Review federal reserve requirements	Reserve Requirement for reporting Period	Ext Financial Reporting	Financial Reporting
Standard ALCO Liquidity Deck	Monthly	Communicate liquidity position to Senior Management and report against limits	Available Liquidity, REPO's, FHLB Borrowings, Swaps, B/S Evolution	Treasury	ALCO
ALCO Liquidity Premium calculation and approval	Monthly	Obtain approval for liquidity premium applied on COF curve from Senior Management	Premiums for next period	Treasury	ALCO
Top 25 Depositors Report	Monthly	Monitor large depositors	Depositors and Amounts	Treasury	ALCO
Wholesale Bank Report	Monthly	Review market trends as well as Treasury assets and liabilities	Funding Detail	Treasury	Treasury
FHLB QCR Blanket Lien Loan Collateral Pledge Report	Quarterly	Report of loans pledged to FHLB	Eligible Loans for Pledging at FHLB	Regulatory Reporting	Regulatory Reporting

Appendix F: Glossary of Abbreviations

ABBREVIATION (ALPHA)	DESCRIPTION
ALCO	Asset and Liability Committee
BCC	Board Capital Committee
BERC	Board Enterprise Risk Committee
BHC	Bank Holding Company
Board	Board of Directors
CFP	Contingency Funding Plan
CFO	Chief Financial Officer
CRO	Chief Risk Officer
Enterprise Policy	Liquidity Enterprise Policy
EPS	Enhanced Prudential Standards
ERM	Enterprise Risk Management
ERMC	Enterprise Risk Management Committee
Federal Reserve	Federal Reserve Board of Governors
FHLB	Federal Home Loan Bank
FRBB	Federal Reserve Bank of Boston
FSA	Financial Services Authority
FTP	Funds Transfer Pricing
HQLA	High Quality Liquid Asset
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LEMF	Liquidity Event Management Framework
LST	Liquidity Stress Test(ing)
MIS	Management Information Systems
OCC	Office of the Comptroller of the Currency
RTS	Risk Tolerance Statement
Santander S.A.	Banco Santander, S.A.
SBNA	Santander Bank, National Association
SCUSA	Santander Consumer USA Inc.
SHUSA	Santander Holdings USA, Inc.