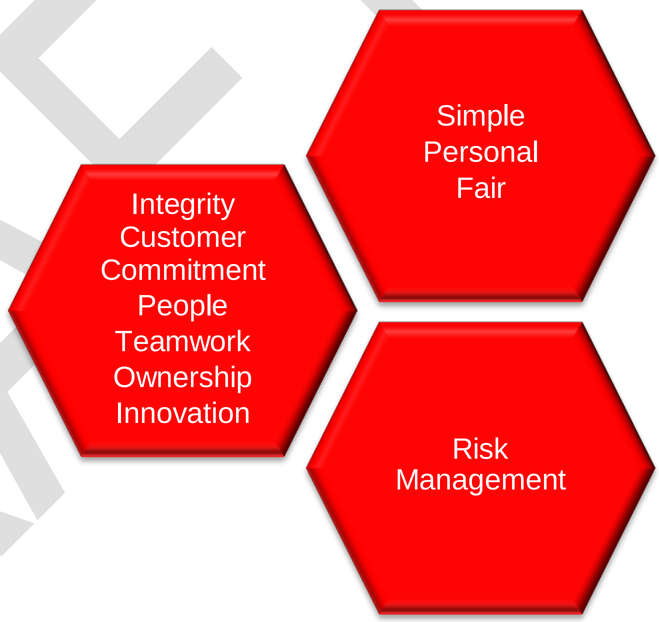
Santander Holdings USA, Inc.

ENTERPRISE CREDIT 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.



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1. Introduction

1.1 Purpose of the Document

This Enterprise Credit Risk Management Policy (the "Policy") sets out the governance, principles and roles and responsibilities that support the identification, measurement, monitoring and control of credit risk within Santander Holdings USA, Inc. ("SHUSA") and its Subsidiaries[1]. Implementation of the principles in this Policy is the responsibility of the SHUSA Chief Credit Risk Officer ("CCRO") and CCRO's of SHUSA Subsidiaries and is done in accordance with the Enterprise Risk Management ("ERM") Framework as reviewed and approved by the Board of Directors (the "Board")

1.2 Scope

This Policy is applicable to SHUSA as an unconsolidated Bank Holding Company ("BHC") and as a consolidated entity, inclusive of all its Subsidiaries. Since credit activities and products vary significantly across SHUSA's Subsidiaries, each Subsidiary Credit Risk Management ("CRM") function will develop policies and procedures that will, at a minimum, adopt and implement the principles contained in this Policy.

1.3 Document Approval and Maintenance

The Policy is authored by the SHUSA CCRO, owned by the SHUSA Chief Risk Officer ("CRO"), and recommended by the Credit Risk Committee ("CRC") to the Enterprise Risk Management Committee ("ERMC") who will in turn recommend it to the SHUSA Risk Committee ("RC") for final presentation to and approval by the SHUSA Board ("Board").

The Policy must be reviewed at least annually by the SHUSA CCRO, to ensure that it remains relevant in light of any changes to regulatory requirements and to SHUSA's current and planned business activities.

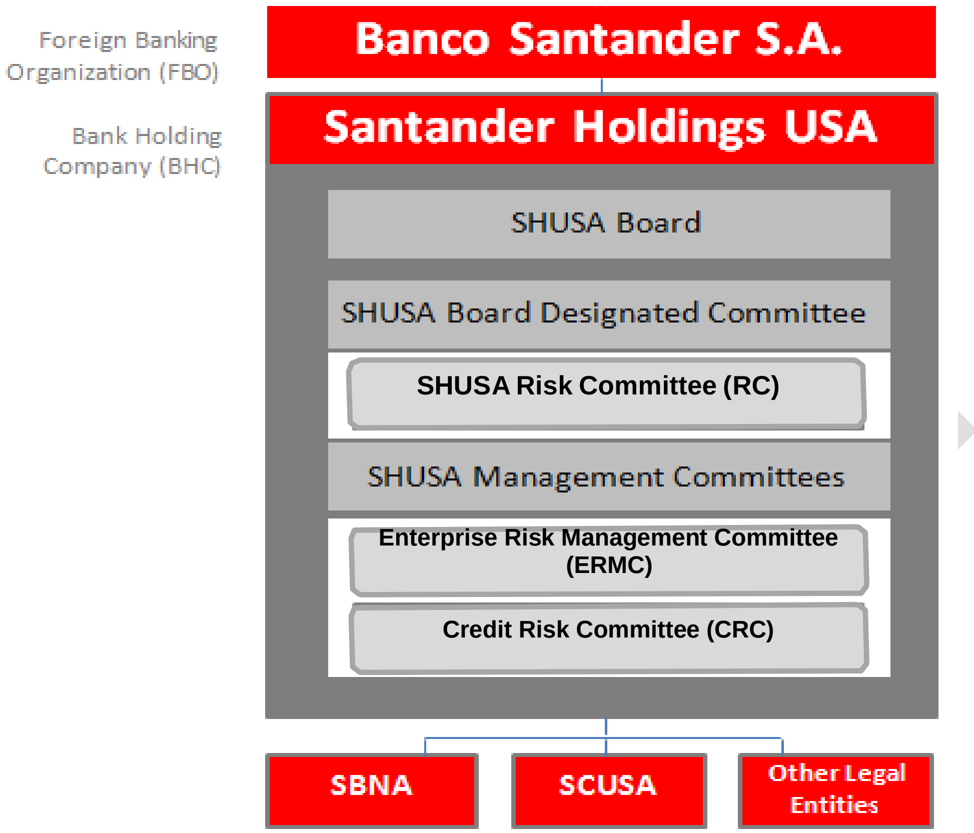
The SHUSA CCRO or CRO may authorize ad-hoc reviews in order to introduce material changes to this Policy. The ERMC, RC or Board may also initiate updates to the Policy in response to changing conditions. All material changes or updates to the Policy must be developed in consultation with the SHUSA CCRO and approved by the Board.

The Credit Risk Review function and Internal Audit, based on the result of their own risk assessment and/or for purposes of complying with independent review function requirements under the Enhanced Prudential Standards ("EPS"), may include in their annual review or audit plan the review and evaluation of the adequacy and effectiveness of existing credit risk management processes. This review may also include evaluation of this Policy.

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

2. Governance and Accountability

SHUSA has established the following governance structure to oversee the management credit risk:



In relation to the management of credit risk, SHUSA CRM provides oversight to SHUSA's Subsidiaries based on the principles established under the SHUSA Credit Risk Management Framework and this Policy.

2.1 SHUSA Governance[2]

The full responsibilities of the SHUSA Board are detailed in its bylaws and charters. With respect to this Policy, the SHUSA Board:

- Reviews and approves the Policy;
- Oversees implementation of this Policy;
- Monitors compliance with this Policy; and
- Monitors exceptions to the Policy.

[2] Section 7.2 of this Policy includes detailed roles and responsibilities of the oversight committees applicable to SHUSA CRM Function.

As a BHC, SHUSA does not incur extensive credit exposure, however, the SHUSA Board is responsible for ensuring that proper and sufficient resources are available and deployed for effectively managing credit risk within SHUSA and its Subsidiaries. This includes hiring, training, and development of personnel, effectiveness of information systems to support each phase of the credit process, and adequate backup and recovery for contingency and stress conditions.

In addition, SHUSA's CCRO and CRM function are responsible for ensuring that the Subsidiaries develop and approve any necessary policies and procedures for identifying, measuring, monitoring and controlling credit risk across all of credit activities and at both the individual credit and portfolio levels. These policies and procedures will include appropriate triggers and escalation mechanisms for any issues requiring corrective action by management.

SHUSA's CCRO will lead credit risk planning for the consolidated BHC, which includes analyzing sources of credit risk across the Subsidiaries and ensuring the right resources are in place to enable high quality credit risk management.

The SHUSA Board and CRM function will oversee and monitor material credit risk developments and the approval and embedding of credit risk policies at the Subsidiaries.

2.2 Subsidiaries Governance

The full responsibilities of the Board of Directors of each SHUSA Subsidiary are detailed in their bylaws and charters. With respect to the Credit Risk policies that must be developed by each Subsidiary, their Boards shall:

- Review and approve the policies, as appropriate;
- Oversee implementation of the policies;
- Monitor compliance with the policies; and
- Monitor exceptions to the policies.

All Subsidiaries must adopt and implement the principles set out in this Enterprise Credit Risk Management Policy.

3. Policy Statement

SHUSA Subsidiary CCROs are accountable for implementing the following minimum principles and standards to effectively identify, assess, approve, manage and monitor credit risk:

- All customers must be assigned a risk classification category as described in this Policy: Retail, Commercial or Global Customers;
- Appropriate credit risk policies and underwriting processes must be clearly defined and implemented in line with the Subsidiary's business and risk profile. These policies and processes must include delegated authorities for approval of credit risk limits, for each customer or portfolio of customers;
- The balance of risk and return must be considered in all lending decisions;
- A Strategic Commercial Plans ("SCP") must be developed and implemented for each Subsidiary's business line. SCP is a joint Business Line and Risk Management Function initiative that defines the Business Line's "playing field" for the achievement of the annual budget objectives;
- Adequate procedures for the review and approval of the Allowance for Loan and Leases Losses ("ALLL") must be defined and implemented;
- Clear policies and procedures for Recovery Management must be defined and implemented;
- Operating limits and statements which embed the Risk Appetite Statement ("RAS") within each Subsidiary (including restrictions on types of loans and concentrations) must be established and approved;
- Management information systems and processes to effectively monitor the credit risk profile of a Subsidiary must be in place;
- A clear escalation process ensuring that all Policy exceptions or breaches to RAS limits are communicated and acted upon must be established across each Subsidiary.

Implementation of these principles and standards, along with the active engagement and oversight of credit approval, control, and monitoring processes, ensures that each Subsidiary CCRO adheres to SHUSA's enterprise credit risk standards and appetite limits.

4. Customer Risk Classification

Risk classification is a core element of credit risk management and control. Each Subsidiary CCRO must ensure that his or her Business Line works with the Subsidiary's CRM function to classify customers based on their financial profile and credit exposure. Additionally, each Subsidiary CCRO must ensure that all necessary controls are in place to ensure each client is assigned to a single credit risk client classification.

SHUSA has established a single risk classification standard applicable across its Subsidiaries based on the following types of customers:

- Retail (also referred to as Standardized customers. Mainly individuals and small businesses).
- Commercial (also referred to as Non-Standardized clients. Mainly small corporate customers).
- Global Banking & Markets ("GBM") (Mainly large corporates, multinationals and financial institutions).

The types of customers are described in detail as follow:

4.2 Retail – Standardized Customers

The risk model for retail customers is integrated into the business model for this customer segment and its objective is to generate appropriate returns taking into consideration the characteristics of the customers, the product and the market.

- Credit management will be based on credit policies that are straightforward, communicated and implemented. The policies will be approved through the agreed governance structure and will be subject to regular review.
- Retail credit risk management will be based on analytical models that must be accessible, flexible and facilitate effective decision making processes. The model lifecycle will be subject to the principles established in the SHUSA ERM Model Risk Management Framework and associated policies and procedures.
- Retail credit risk management is based on establishing and monitoring appropriate forward looking metrics throughout the risk life cycle, ensuring that early corrective actions can be put in place in the event of deviations in the risk profile of customers or portfolios. Early warning indicators may also be used for the identification and management of risk and return opportunities.

4.3 Commercial – Non-Standardized Customers

The risk model for Commercial customers is integrated into the business model for this customer segment and its objective is to generate appropriate returns taking into consideration the characteristics of the customers, the product and the market.

- Credit management will be based on credit policies that are straightforward, communicated and implemented. The policies will be approved through the agreed governance structure and will be subject to regular review.
- The selection criteria and perimeter of clients included in the commercial segment will be common to the business line and risk functions and will have a specific defined business strategy, aligned to the risk appetite defined by SHUSA and its Subsidiaries.
- All Commercial customers must be assigned a Relationship Manager and a credit analyst to ensure an in-depth knowledge of the client, where quantitative analysis will be complemented by joint business and risk customer visits.
- All commercial customers will be assigned an internal credit risk rating, using either an expert judgment or a statistical model. The rating reflects a client's credit quality and is constructed both with quantitative information (financial, external and internal) and qualitative information (the analyst's expert knowledge). The internal rating allows for the identification of customers' risk profiles, including their probability of default.
- The commercial credit risk management function develops and embeds the use of risk monitoring and portfolio management tools with the aim of providing proactive and preventive controls, through regular review of all clients and portfolios, thereby minimizing critical credit risk aspects, including but not limited to, volatility and concentration of portfolios.
- Risk and business management aims to maximize value creation, based on business plans which ensure sufficient risk-adjusted returns throughout the credit risk cycle.
- Commercial credit risk management is based on establishing and monitoring appropriate forward looking metrics throughout the risk life cycle, ensuring that early corrective actions can be put in place in the event of deviations in the risk profile of customers or portfolios. Early warning indicators may also be used for the identification and management of risk and return opportunities.

4.4 Global Banking and Markets ("GBM") – Global Customers

The risk model for Global customers is integrated into the business model for this customer segment and its objective is to generate appropriate returns taking into consideration the characteristics of the customers, the product and the market.

- GBM includes clients under the Global Relationship Model ("MRG") closed list, including the business areas of Corporate and Investment Banking ("CIB"), Large Corporate, and Financial Institutions. In addition, the global risk teams are responsible for underwriting the specialist areas of Structured Finance, Structured Products and Country Risk.

- GBM customers are managed centrally by a Global Account Officer and a Global Risk Analyst to ensure a tailored approach to risk management through an in-depth knowledge of the client and its industry sector and continuous monitoring of qualitative and quantitative factors affecting the customer.
- The ongoing management of the relationship and credit risk limits is carried out through a set of global limits (pre-classifications), by obligor, products and tenors, consolidating the relationship with the client in one single view.
- Risk and business management is focused on maximizing value creation, based on business plans which ensure sufficient risk-adjusted returns throughout the credit risk cycle.

5. The Credit Underwriting Process

SHUSA's Subsidiaries are required to operate within sound, well-defined credit-granting criteria. These criteria include a clear indication of the target market, independence of credit decision-making from the business line, and a thorough understanding of the borrower or counterparty via Know-Your-Customer ("KYC") procedures, as well as the purpose and structure of the credit, and its source of repayment. Each Subsidiary CCRO must ensure credit-granting criteria is defined based on the Subsidiary's size and complexity and take into consideration the following principles:

5.1 The underwriting process

- All relevant data and documentation used in support of credit decisions must be properly collected, verified and stored.
- Each Subsidiary CCRO is required to implement overall credit limits at the level of individual borrowers, counterparties, and groups of connected counterparties which aggregate different types of exposures based on a comparable and meaningful manner (sub-segments).
- Each Subsidiary CCRO must have a clearly-established process in place for approving new credits and counterparties, as well as the amendment, renewal and re-financing of existing credits. Potential future changes in economic conditions, the current state of the credit cycle and subjective expert judgment must be incorporated when assessing both corporate and individual credits and the aggregate credit portfolios.
- All credit approvals must be granted within the quantitative and qualitative limits defined in the risk appetite statement approved by each Subsidiary's Board. The RAS, and the lower level limits and thresholds set the boundaries under which the amount of risk, risk type and risk strategy are constrained. Credit approvals must be consistent and coherent with hierarchically superior limits.

5.2 Lending policies

Each Subsidiary CCRO must ensure that lending policies designed to be consistent with sound and prudent bank lending practices are in place. The purpose of these policies is to provide all personnel with a comprehensive understanding of how credit of any nature is to be extended by the Subsidiary.

Lending policies are classified into (i) global policies and (i) local policies.

Global policies are issued by Santander S.A. and must be adopted by SHUSA Subsidiaries according to their products and services. These policies cover: lending to the Defense Industry, Social and Environmental responsibilities for infrastructure lending, legal and regulatory obligations when financing Forestry, Energy and Water projects. Each Subsidiary CCRO is responsible for ensuring that these policies are adopted accordingly by his or her Subsidiary.

Local policies are those where each Subsidiary, in collaboration with their respective business units, determines lending policies for specific products, industries, exposures, or types of clients across the Subsidiary's lines of business.

Each Subsidiary CCRO must ensure the following specific elements are included within his or her Subsidiary's lending policy:

- A goal statement for the loan portfolio (i.e., statement of the characteristics of a good loan portfolio in terms of types, maturities, sizes, and quality of loans);
- Specification of lending authorities given to each loan officer and loan committee indicating the maximum amount and types of loan that each employee and committee can approve and what signatures of approval are required;
- Lines of responsibility in making assignments and reporting information;
- Procedures for soliciting, evaluating, and making decisions on customer loan applications;
- Documentation required to for each loan application, including what must be kept in the lender's files (financial statements, security agreements, etc.);
- Lines of authority detailing who is responsible for maintaining and reviewing the Subsidiary's credit files;
- Guidelines for taking, evaluating, and perfecting loan collateral;
- Procedures for setting loan rates and fees and the terms for repayment of loans;
- Statement of quality standards applicable to all loans;
- Statement of the preferred upper limit for total loans outstanding (i.e., the maximum ratio of total loans to total assets allowed);
- Procedures for detecting and working out problem loan situations.

These policies will ensure that established RAS limits or statements such as restricted or prohibited products or industries are operationalized through lower level limits and clear lending criteria (examples include Commercial Real Estate lending, Asset Based Lending or lending to Hedge Funds).

Each Subsidiary CCRO must ensure that loan policies are flexible to changes in the Subsidiary's business, continuing changes in economic conditions and regulatory requirements. Exceptions to a Subsidiary's loan policy should be infrequent events and must be handled through established exception management procedures, which must be approved by the Subsidiary CCRO.

5.3 Delegation of Authorities

The approval of credit exposures must be supported by a governance structure established within each of SHUSA's Subsidiaries, which clearly defines and documents the type and amount of credit exposures that committees and designated individuals are allowed to approve.

This governance structure should follow, at a minimum, the following principles:

- Clearly defined decision-making authority between the business line and the risk function, including delegated authorities to individuals, joint signatories, forums or committees.
- Authority is granted based on seniority, experience and knowledge (both business and risk knowledge) of individuals and committees.
- The definition of authority must be complemented with an estimation of total volume of risk and deals that will be submitted to the different levels of the decision-making process, in order to ensure that effective resource allocation and adequate analysis of proposals is carried out.
- Delegated Authorities will be defined for:
  - Credit Approval
  - Credit Review
  - Policy approval
  - Approvals in the event of breaches of specific limits and triggers
  - Approval of Amendments to credit facilities
  - Approval of restructuring proposals
  - Sales of Portfolios
- Decision-making authority levels must be reviewed periodically to take into consideration amongst other factors, changes in business volume and historical experience, performance measurement of risk decisions made at each decision level and authority breaches and overrides.

5.4 Return on Risk Adjusted Capital ("RORAC")

Risk and business management at SHUSA and its Subsidiaries should always be aligned with the goal of maximizing value creation and be based on business plans which ensure sufficient risk-adjusted returns throughout the credit risk cycle.

The RORAC provides a homogeneous measure that enables the comparison of transactions/client/portfolio with different risk profiles and returns.

This allows SHUSA and its Subsidiaries to:

- Efficiently assign resources and develop credit strategies based on added-value of transactions.
- Measure returns on a transaction based on its expected loss and capital consumption.

- Identify transactions with a higher risk-adjusted return than their cost of capital.
- Align risk and business management based on the goal of maximizing value creation.
- Calculate the return per transaction taking into account its intrinsic risks (product type, type and value of guarantees, quality of guarantors and their coverage percentage, term and sector to which the client belongs).

SHUSA and its Subsidiaries will follow RORAC calculation and reporting procedures based on guidelines established at the Group level.

6. Measurement and Control, Monitoring, Allowance for Credit Losses, and Recovery Management

6.1 Measurement and Control

Each Subsidiary CCRO must ensure that appropriate Management Information Systems ("MIS"), policies and operating procedures are in place for the ongoing administration of the Subsidiary's various credit risk-bearing portfolios through the entire credit life cycle: pre-sale, underwriting and approval, loan management and monitoring, and collections recovery and work-out.

Each Subsidiary CCRO must implement adequate information systems and analytical techniques to enable management to measure the credit risk inherent in all on- and off-balance sheet activities. MIS at each Subsidiary must provide adequate information on the composition of credit portfolios, including assessment of portfolio and mix in line with approved RAS, metrics, and concentration limits.

Each Subsidiary CCRO must have in place proper controls for validation of credit risk models and methodologies in order to ensure they are appropriate to the type of risk, adequate for the amount of risk taken, and that any limitations and issues with a credit risk model are appropriately communicated to the users. Credit risk models are those used to value products, calculate risk exposures, or otherwise aggregate risk data. These models must adhere to approved model risk management policies and procedures, which together establish model development, validation and governance standards and requirements.

Risk assessments must be based on a process of quantification or measurement of risks across SHUSA and its Subsidiaries. Subsidiary CCROs must ensure that appropriate metrics for credit risk management and control, and for measuring the risk-return equilibrium, are properly defined and implemented.

6.2 Customer, Portfolio and Process Monitoring

Each Subsidiary CCRO must ensure the ongoing monitoring of the condition of credit exposures, including determining the adequacy of provisions and reserves, and initiating appropriate early remedial action when deterioration is identified.

Each Subsidiary CCRO must have in place policies and procedures to support credit risk monitoring processes designed to detect problems and anticipate mitigating actions related to individual customers and portfolios as well as the environments in which they operate. Credit monitoring processes must be reviewed at least annually by each Subsidiary CCRO and implemented based on the following principles:

- Credit risk monitoring must be established as a process of permanent observation of a Subsidiary's borrowing customers, with a focus on circumstances or events that could negatively impact the credit quality of SHUSA's portfolio.
- The objective of credit risk monitoring must be to ensure the successful repayment of customer indebtedness, and in so doing, maintain the credit quality of the Subsidiary's

loan portfolio.

- The monitoring process must include the assessment of credit risk quality and disclosure of problematic risks, as well as pro-active measures to correct or prevent deterioration of the credit quality of the customer or portfolio.
- Credit risk monitoring at SHUSA must be built upon the following pillars of monitoring:
  - **Customer Monitoring:** Focuses on individual customers. It covers all activities in which on-going knowledge of the client is critical to having an accurate credit opinion and ensuring that situations causing concern are identified. Customer monitoring at SHUSA will employ FEVE ("Firmas En Vigilancia Especial" or "Companies Under Special Vigilance") as a tool to identify individual customers that present concern, and allows to establish strategies with those customers.
  - **Portfolio Monitoring:** Focuses on portfolios and includes reviewing changes in exposures and credit quality, identification and assessment of risk concentration and proposed actions to mitigate risk. To be effective, portfolio monitoring must rely on information describing the composition and evolution of the portfolio (Descriptive); the factors describing the credit quality of the portfolio (Risk Profile) and information regarding the political, legal and economic environments affecting the portfolio (Environment).
  - **Process Monitoring:** Focuses on risk management processes embedded in SHUSA's Enterprise Risk Management Framework and includes reviewing the methods, actions and resources used to manage risk and assess credit quality.

6.3 Firmas En Vigilancia Especial ("FEVE" or "Companies Under Special Vigilance")

Santander S.A. has adopted a global FEVE Policy to ensure commercial and GBM customers that require closer monitoring due to adverse circumstances, trends, strategic or other reasons are appropriately identified, assessed, managed and reported. As it's the case with Santander S.A. global policies, this policy must be adopted by each Subsidiary CCRO according to their products and services.

As appropriate, each Subsidiary CCRO must ensure that the Subsidiary's FEVE policy establishes criteria for:

- Identification of cases requiring "special watch", i.e. customers that raise the most concern and where there are circumstances or alerts that indicate possible problems with repayment of indebtedness.
- Optimization of the monitoring process, including prioritization of those customers that require the most extensive and intensive monitoring.
- Establishment of the strategy and action plan for the customer through the categorizations under FEVE as well as controls for compliance with said strategy and action plan.

There are four categories under FEVE, which must be assigned to each customer requiring closer monitoring. This categorization represents the strategy that must be established for dealing with the increased risk to SHUSA and its Subsidiaries, including monitoring problem cases, supporting potential business improvement, reducing the business indebtedness to the Subsidiary or exiting a relationship with a customer to minimize losses.

The four FEVE customer categories, in descending order of seriousness, are:

- **Extinguish** - The Subsidiary has decided to exit the relationship and to extinguish completely the exposure with this customer. As a general rule, the Subsidiary will not do business with this customer, unless there is an exceptional turnaround.
- **Secure -** Due to a change in the customer's condition, additional guarantees or collateral must be obtained to strengthen the credit structure and continue the lending relationship with this customer.
- **Reduce -** The Subsidiary is not comfortable with current levels of exposure and additional guarantees or collateral are not available, but the Subsidiary wishes to continue to do business with the customer at lower levels of exposure. Generally, this is a customer previously classified as FEVE-Monitor, or one that has experienced some problem that justifies the classification of FEVE-Reduce.
- **Monitor –** The Subsidiary has identified an alert signal or an issue, problem or trend in the course of a review that could affect results in uncertain prospects for the customer or could affect credit quality.

If an exposure is being conducted in a satisfactory manner, with no performance issues, the case is automatically categorized as Normal.

A Credit Professional ("CP") within the Subsidiary is responsible for ensuring that FEVE and Normal categorizations are appropriate. The CP assigned to a customer relationship can classify the customer as FEVE or downgrade the customer to a more serious degree of FEVE. Any upgrade (from a serious category of FEVE to a less serious category) or declassification from FEVE (from FEVE to Normal classification) must be proposed and reviewed by the Subsidiary Central Watch Review Committee, Credit Review Committee or Approval Committee and approved by the Subsidiary Chief Monitoring Officer.

6.4 Allowance for Loan and Leases Losses ("ALLL")

SHUSA and its Subsidiaries must maintain allowances for loan and lease losses and unfunded loan commitments and letters of credit at levels adequate to absorb estimated probable credit losses inherent in the loan portfolio. SHUSA determines the adequacy of the allowances based on periodic evaluations of the loan and lease portfolios and other relevant factors.

The ALLL and reserve for unfunded lending commitments – collectively "the allowance for credit losses" – are valuation reserves which represent management's best estimate of losses for known and inherent risks in the loan portfolio and unfunded lending commitments. The ALLL account is an estimate of incurred but not yet charged-off uncollectible amounts that reduce the book value of loans to the amount that is expected to be collected. The reserve for unfunded lending commitments represents probable losses for SHUSA's unfunded lending commitments and other off-balance-sheet instruments (e.g., letters of credit).

A provision is charged against earnings to maintain the allowance for credit losses at an appropriate level. Management's evaluation takes into consideration the risks inherent in the loan portfolio, past loan loss experience, specific loans with loss potential, geographic and industry concentrations, delinquency trends, economic conditions and other relevant factors.

The ALLL is maintained to cover incurred losses that are probable and estimable on the date of the evaluation. The ALLL is not a cushion against possible future losses; that protection is provided by capital.

Assessment of the provision shall follow all applicable regulatory guidelines. SHUSA accounting policies serve as the primary policies and guidelines by which SHUSA ensures uniform compliance with U.S. Generally Accepted Accounting Principles ("GAAP") with respect to ALLL. Uniform enterprise policy should be followed in most circumstances across SHUSA's Subsidiaries. Related to Held for Sales loans, SHUSA and its Subsidiaries shall follow consistent accounting policies.

Methodologies related to assessment of provisions related to impaired loans and loss forecasting, including data inputs and scenario analysis with respect to individual loans or loan portfolios, shall be in line with regulatory guidelines and Supervisory Expectations and Range of Current Practice[3] and follow SHUSA Model Risk Management ("MRM") guidelines and have to be validated by MRM prior to use.

Review and evaluation of the adequacy of the reserve shall be done throughout the year, and is based among other factors, on the evaluation of inherent risk in the portfolio, the volume of adversely classified loans, previous loss experience, proper impairment measurement for

Troubled Debt Restructuring ("TDR") loans, Loss Emergence Period ("LEP") measurement considerations, current trends, and expected economic conditions and their effect on SHUSA's portfolios.

The SHUSA CCRO and Subsidiary CCROs must analyze and ensure the adequacy of the loan and lease loss reserve level on a regular basis. During the first month following the end of each quarter, a full assessment of the adequacy of provisions shall be done and results for any potential approval shall ultimately be presented to the SHUSA RC or Board, and for review by the SHUSA Audit Committee.

6.5 Recovery Management

Recovery management is a significant responsibility of SHUSA's Subsidiaries given that portfolio quality is essential for the development and growth of SHUSA's products and services. Management of debt collections and recoveries, along with appropriate policies and operating procedures must be established by each Subsidiary CCRO in order to ensure that quality of portfolios is kept at acceptable levels.

Recovery management is applicable to all risk client classifications and must include all activities which are part of an integral recovery process - beginning with default (day 1) and ending with debt recovery or write-off. If recovery is carried out through deed in lieu or

[3] Federal Reserve System: Capital Planning at Large Bank Holding Companies: Supervisory Expectations and Range of Current Practice – August 2013

repossession of an asset, the recovery process will end with sale of the asset.

Recovery management within SHUSA's Subsidiaries should take into consideration principles and objectives established by SHUSA's ERM and Credit Risk frameworks. Additionally, the following principles and objectives need apply to recovery management at each Subsidiary:

- Recoveries management is an essential part of SHUSA's business, consisting of maximizing debt collection in the shortest time possible.
- Recoveries management is subject to policies and a control environment defined by SHUSA's CRM function.
- Collections and recovery activities are flexible and adaptable according to the economic environment in which they are performed.
- The focus of recovery activities is the customer. All recovery strategies must be defined in context of customer relationship.
- Recoveries management is established as a multifunctional process in order to develop synergies and improving results. Functions participating in this process include but are not limited to recoveries, commercial, retail, risk, finance and technology.
- Recovery activities are established as a sequential process which begins on the first day of default and ends with debt recovery or write-off (or with sale of the asset in the event of deed in lieu or repossession).
- Recovery management includes segmentation of customers based on a set of criteria established at each Subsidiary. This criteria should:
  - Be measurable, quantifiable and easily captured by information systems.
  - Be relevant and clearly defined, allowing all teams performing recovery activities to fully understand them.
  - Be customer centric, in order to devise a recovery strategy that is aligned with the type of customer.
  - Be adaptable and modifiable to enable changes to strategy or one-off campaigns to be agile and quick.
- Appropriate metrics for recovery management monitoring are defined and implemented by each Subsidiary.

7. New Products/Business Activities (“NPBA”)

SHUSA must have in place principles and standards by which NPBA (new, expanded or modified client facing products, services, and business initiatives) are evaluated and managed. These principles and standards must provide the foundation for SHUSA Subsidiaries to develop corresponding operating procedures commensurate with their strategies and business activities.

The NBPA policy must apply to all lines of business, support units and oversight functions including CRM functions at SHUSA and its Subsidiaries.

SHUSA has defined NPBA to be client facing activities as follows:

- A product, service, or business initiative not previously offered by SHUSA’s Subsidiaries ;
- A product, service, or business initiative not offered by SHUSA’s Subsidiary for at least 12 months;
- A material change to an existing product, service, business initiative or customer segment;
- A change to the scale and scope of an existing product, service, or business initiative resulting in increased, or different types of, risk exposures;
- A significant alteration to the control environment for an existing product, service, or business initiative; or
- The replacement of, or significant enhancement to, the information technology (“IT”) supporting an existing product, service, or business initiative.

NPBA will be undertaken only after completion of careful efforts to identify associated risks, and after the proponent unit has demonstrated to the appropriate governance bodies, including SHUSA’s CRM function its preparedness to control the risks associated with the proposed NPBA.

Following launch of NPBA, the applicable committees within SHUSA and its Subsidiaries, including the CRC, will jointly monitor post-launch product performance against expectations and approval requirements, and track any remedial activities to their successful conclusion.

SHUSA’s Subsidiaries must each maintain a NPBA review and approval process that includes protocols, systems, and internal controls for identifying, evaluating, and managing NPBA in accordance with sound risk management practices throughout each phase of the product lifecycle.

8. Roles and Responsibilities

8.1 Three Lines of Defense

SHUSA and its Subsidiaries have established a multilayered system of checks and balances to effectively identify and manage credit risk following a “Three Lines of Defense” model.

In accordance with this model, the roles and responsibilities of these three lines involved in credit risk management are as follows:

Line 1: **Risk Management – SHUSA’s Subsidiaries, their Business Lines & Business Support Units**	• Reporting to the CEO, Line 1 units have responsibility for the primary management of the risks that emanate from their activities (Business origination, providing specialist advice, the development, marketing or distribution of products, client maintenance, or operational or technological processes supporting customer activity). Line 1 are accountable for self-identification of issues impacting credit risk, must be proactive in communicating with CRM on findings and thought process, and resolving credit risk management issues in a timely manner to ensure fewer repeat findings.
Line 2: **Risk Management – Risk, Legal**	• ERM function at SHUSA and Subsidiaries under the executive responsibility of the CEOs and with accountability to the CROs. Line 2 units manage and monitor risk exposures, define frameworks, policies and comprehensive and appropriate controls, and ensure Line 1 units manage risk in line with the agreed frameworks and risk appetite levels. • Legal function under the executive responsibility of the CEO.
Line 3: **Risk Assurance – Internal Audit; Credit Risk Review Function**	• Internal Audit provides independent assurance and reports to the Board. • The Credit Risk Review function reporting to the Board and administratively to the SHUSA CRO provides an independent assessment of SHUSA’s credit risk and credit risk practices to the Board. The primary goal of Credit Risk Review is to ensure credit practices are consistent with SHUSA’s desired risk profile and risk tolerance limits.

8.2 Roles and responsibilities of SHUSA's Board, Risk Committees and CRM function

Roles and responsibilities of the SHUSA Board, risk committees and CRM function are a key component of the SHUSA Credit Risk Management Framework. Each Subsidiary CCRO must develop roles and responsibilities applicable to credit risk in accordance to the Subsidiary's size and complexity. These roles and responsibilities must be reviewed and approved at least annually by the Board of each Subsidiary.

7.2.1 Board and Risk Committees

SHUSA Board of Directors	With respect to this Policy, the SHUSA Board: • Reviews and approves the Policy; • Oversees implementation of this Policy; • Monitors compliance with this Policy; and • Monitors exceptions to the Policy. As a BHC, SHUSA does not incur extensive credit exposure, however, the SHUSA Board is responsible for ensuring that proper and sufficient resources are available and deployed for effectively managing credit risk within SHUSA and its Subsidiaries. This includes hiring, training, and development of personnel, effectiveness of information systems to support each phase of the credit process, and adequate backup and recovery for contingency and stress conditions.

SHUSA Risk Committee (“RC”)	The RC is appointed by the Board to assist it in its oversight responsibilities with respect to enterprise risk management activities and related compliance matters. With regards to credit risk, the RC responsibilities include: • Annual review of the SHUSA Credit Risk Management Policy, including recommendation for approval of the Policy by the Board. • Review of Credit Policies/Credit Policy Manuals of SHUSA and its Subsidiaries to ensure that such policies are appropriate in light of general economic conditions, regulatory requirements and SHUSA’s financial and competitive position and strategic goals, including considering the adverse scenarios utilized in stress testing exercises. • Review of exposure limits and credit risk quality metrics related to critical loan concentrations, as measured by industry, risk rating, etc., and review reports that measure and inform the Board of such concentrations; ensure such limits and metrics are appropriate in light of general economic conditions, regulatory requirements and the SHUSA’s financial and competitive position and strategic goals, including considering the adverse scenarios utilized in stress testing exercises. • Review of stress-testing scenarios applied to the loan portfolios. • Review of the largest borrowing relationships of SHUSA’s Subsidiaries as well as any other material transactions, or groups of transactions, to assess if such transactions impact SHUSA's risk profile. • Review of loan losses and other credit quality statistics prior to the issuance of quarterly earnings reports. • Review of real estate high loan-to-value reports. • Review of new material exceptions to credit policies. • Review general exposure limits and concentrations by industry or sector, including counterparty limits and Bank Owned Life Insurance (“BOLI”). • Review of industry counterparty concentrations and the largest counterparty exposures through executive summaries. • Review of negative trends and events as applicable to certain segments of the portfolio, based on geography, industry, product type, etc. • Review and approval of the ALLL on a periodic basis, and approve the ALLL methodology.

SHUSA Enterprise Risk Management Committee ("ERMC")	The ERMC is established under the authority of the RC and it is chaired by the SHUSA CRO. The ERMC is responsible for the oversight and monitoring of all risk- taking and risk management activities across the enterprise. With regards to Credit Risk, the ERMC's core responsibilities include the following: • Annual review of the SHUSA Credit Risk Management Policy, including recommendation for approval of the Policy by the Board. • Review and recommend to the RC for approval, subject to the concurrence of the CRC the SHUSA Credit Risk Management Framework and credit risk tolerance statement. • Oversee SHUSA's credit risk governance structure, including the credit risk management framework, credit risk tolerance statement, and credit risk policies, procedures and practices within each Subsidiary. • Assess, on an ongoing basis and based on information provided to the Committee by senior management of each Subsidiary and by subcommittees of the Committee, each Subsidiary's credit risk management framework, credit risk tolerance limits, and credit risk identification and assessment processes to ensure they are in compliance with the enterprise-wide standards and are accurately capturing the Subsidiary's level of risk, and report any issues or exceptions relating thereto to the RC. • Review and approve each Subsidiary's and Business Line key risk indicators ("KRIs") and their associated limits (thresholds) to ensure they are consistent with SHUSA's established risk tolerance. • Review management's assessment of each Subsidiary's credit risk profile, including trends and emerging risks, and monitor credit risk performance information from each Subsidiary and Business Line, in each case on an ongoing basis. • Review information from senior management of each Subsidiary and subcommittees of the Committee relating to identified credit risk issues. Review plans and progress of resources accountable to resolve such issues on an ongoing basis. • Ensure that the credit risk management functions within each Subsidiary are adequately staffed and have access to sufficient credit risk data and systems.

SHUSA Credit Risk Committee ("CRC")	The CRC is a management committee, the purpose of which is to advise the SHUSA ERMC and the SHUSA CRO with respect to the oversight of SHUSA's credit risk management functions, the oversight and management of the identification, monitoring and evaluation of credit risks in SHUSA's operations and those of its Subsidiaries, including the methodologies, calculations, reporting and controls with respect to key credit risk metrics. The CRC´s core responsibilities are: • Review and recommend this Policy annually to the ERMC. • Review and approve the charters of SHUSA's Executive Credit and ALLL Committees. • Provide input on the design and oversee the implementation of credit related risk identification and assessment methods, as well as the credit risk framework; review, challenge and recommend actions regarding identified credit issues and emerging credit risks. • Provide input on the design and oversee the application of the credit related risk tolerance limits, concentration limits, Strategic Commercial Plans and Risk Mandates and review and challenge adherence to key credit metrics. • Monitor credit related limits, as established for SHUSA's Business Lines in accordance with applicable risk tolerance limits, and take corrective action for identified breaches. • Review and challenge credit risk related assumptions/issues and forward-looking scenarios (both baseline and stress scenarios) raised within the capital planning process; request and review plans to address and/or mitigate the impact of economic events on credit risks and associated provisions, if necessary or appropriate. • Review credit-related policies and guidelines and any changes thereto; ensure consistency across Subsidiaries and compliance with SHUSA's Enterprise Credit Risk Management Policy. • Oversee adherence to applicable policies and internal controls across SHUSA and its Subsidiaries regarding credit risk and recommendations from internal audit, external audit, regulators and loan review. • Monitor the implementation of processes governing credit matters, including but not limited to pre-screening, underwriting, decisioning, monitoring, workout and collections. • Review credit risk quality indicators and performance metrics; monitor credit quality, as measured by delinquency, non-accrual, charge-offs, Watch List classifications (FEVE under its Spanish

	acronym), and any other measures for consistency with credit risk tolerance and performance expectations. • Monitor credit exposure by types and concentrations of risk, such as industry sectors, loan type and geography for consistency with credit risk tolerance and performance expectations. • Review credit risk exception reporting and monitor incidents and trends. • Review and provide input on credit and valuation reserves; review, on an ongoing basis, the policies applied by SHUSA's ALLL Committee in performing its responsibilities. • In coordination with the Model Risk Committee, review current and proposed methodologies for credit risk modeling and loan and lease loss provision modeling. • In coordination with SHUSA's Technology & Operations Committee and other management committees, as applicable, monitor technological & other strategic initiatives at SHUSA that that may affect credit risk. • Adherence to applicable policies, protocols, systems, and internal controls for identifying, evaluating, and managing NPBA in accordance with sound risk management practices throughout each phase of the product lifecycle. • Report to the ERMC aggregated information that is sufficient to understand the foregoing on an ongoing basis; escalate to the ERMC issues that may involve significant credit risk or may otherwise be material to SHUSA or any of its Subsidiaries, as necessary or appropriate.
SHUSA Allowance for Loan and Lease Losses ("ALLL") Committee	The SHUSA ALLL Committee oversees and ensures consistency and accuracy in the application of the methodology, calculation, monitoring, reporting and control of the loan and lease loss reserve processes at SHUSA and its Subsidiaries. The core responsibilities of the ALLL Committee are to: • Oversee the activities and processes of the various workgroups engaged in making loss reserve forecasts. • Ensure that SHUSA has controls in place to consistently determine the Allowance for Credit Loss in accordance with stated policies and procedures, GAAP, and supervisory guidance. • Review and approve the methodology, associated policies and procedures, and amounts reported each period for the loss reserve process, including provision and recommended loss reserve levels

	for the reserve process. • Report on and recommend to the SHUSA Board, or any designated Sub-Committee of the SHUSA Board, the above activity.

7.2.2 SHUSA CRM Function

SHUSA Chief Risk Officer (CRO)	• Oversees the establishment of credit risk limits on an enterprise-wide basis and the monitoring of compliance with such limits. • Oversees the implementation of and ongoing compliance with the credit risk policies and procedures approved by the Board. • Oversees the management of credit risks and controls within the parameters of the company's risk control framework, and monitoring and testing of the company's credit risk controls. • Reports credit risk management deficiencies and emerging risks to the risk committee and resolving those deficiencies in a timely manner on not less than a quarterly basis
SHUSA Chief Credit Risk Officer (CCRO)	• Leads the SHUSA ERM credit risk program across Subsidiaries, providing for effective supervision of all credit risks and operating independently from the Subsidiaries and their business lines. • Participates in the decision to hire or dismiss Subsidiary CCROs. • Sets goals and objectives for Subsidiary CCROs. • Contributes to the annual performance evaluations of Subsidiary CCROs. • Participates in compensation decisions regarding Subsidiary CCROs. • Is assisted by CRM function management comprising the Director of Solvency, the Director of Portfolio Management, the Director of Policies, Reporting and Coordination and the Director of Risk Consolidation and Reporting.
Credit Risk Management	• Identify, assess, measure, monitor, control, mitigate and report on retail and commercial credit risks in compliance with the parameters of the Enterprise & Credit Risk Management Framework and related policies and procedures. • Review and analysis of retail and commercial credit risk issues and trends within the Business Lines, the Subsidiaries and at a consolidated level, challenging Line 1 and risk management functions and escalating issues, as appropriate. • Analyze and challenge the proposed Risk Tolerance Statements,

	identification and escalation of risk tolerance breaches and significant control gaps along with the recommendation of appropriate remediation plans. • Supervise and monitor retail and commercial portfolios, through the approval and monitoring of Strategic Commercial Plans, ensuring consistency and harmonization with strategic metrics and limits, customer segmentation and credit risk client classification and identifying potential deviations and areas of concern to approved plans and ensuring appropriate corrective action plans are agreed and implemented. • Provide senior management with the critical inputs needed to understand key performance indicators and emerging/evolving credit risks, as well as the underlying model methodologies and assumptions. • Implement consistent credit risk management practices throughout SHUSA and its Subsidiaries to meet existing and new regulatory standards. Building transparency and establishing open lines of communication with regulators to facilitate the efficient completion of regulatory examinations and audit reviews of retail and commercial credit risk activities, when required. • Build and maintaining a strong relationship with Subsidiary Credit Retail and Commercial Risk teams, collaborating with them to recruit and set objectives for Credit Retail Risk Directors. Continuing to build capabilities (technical and soft skills) in the retail and commercial credit risk management functions to support the credit risk management frameworks. • Oversee loss estimation for regulatory stress testing programs in coordination with Treasury, Capital Planning, Management Control, and Subsidiary Business Lines areas (e.g., CCAR/ DFAST/EBA stress test). • Consolidate loan loss reserves of Subsidiaries and ensures that the appropriate accounting and regulatory guidance is applied to the reserve position of SHUSA. • Apply SHUSA's economic capital measurement for credit risk and works to integrate the results into SHUSA's ongoing management processes. • Support scenario analysis in the management and execution of stress testing; identifying potential risks by stress test and through trends in scenarios employed by SHUSA.

	• Supervise scenario analysis and stress and integration of capital in risk supervision models. • Consolidate credit losses parameters (PD, LGD) for Supervisors (FRB, OCC, EBA, ECB, Bank of Spain).

9. Reporting

9.1 Credit Risk Management Reporting

The Board must be informed regularly on credit risk exposures in order to compare their respective risk profiles against their RAS.

A range of reports serves as the basis for providing different levels of management with the information needed to meet their individual responsibilities with regards to credit risk management, control and support.

The objectives of the credit risk reporting are to:

- Provide senior management with the required information to establish, review, and if applicable, modify the lending strategies and credit risk profiles of SHUSA's Subsidiaries.
- Provide the first line of defense with the information needed to effectively manage the credit risk-taking activities of their areas and achieve their risk-related objectives and strategies.
- Provide the second line of defense with the information needed to efficiently carry out their assigned responsibilities for credit risk management, including approval, control and monitoring processes.

Each Subsidiary CCRO must have in place an adequate set of credit risk reports and analysis tools in order to prudentially assess credit risk exposure and ensure consistent decision criteria are followed across his or her Subsidiary.

9.2 Key Risk Indicators ("KRI")

Each Subsidiary CCRO is responsible for actively monitoring credit risk exposures and approved KRIs across business lines, taking into account the interconnectedness between his or her Subsidiary and any legal, regulatory and/or operational limitations when applicable.

KRI reporting helps identify and monitor potential threats, enabling SHUSA and its Subsidiaries to respond to risks before they escalate. KRI reporting includes a range of risk triggers aligned to credit risk themes that are mapped to SHUSA's risk exposure. Two key attributes of KRIs are:

- KRIs are indicators of potential credit issues and are used as a management tool, whereby one or more indicators may indicate the need for an escalation of credit risk 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 balance sheet activity will require re-evaluation and adjustment of triggers to ensure the usefulness of this risk measurement tool.

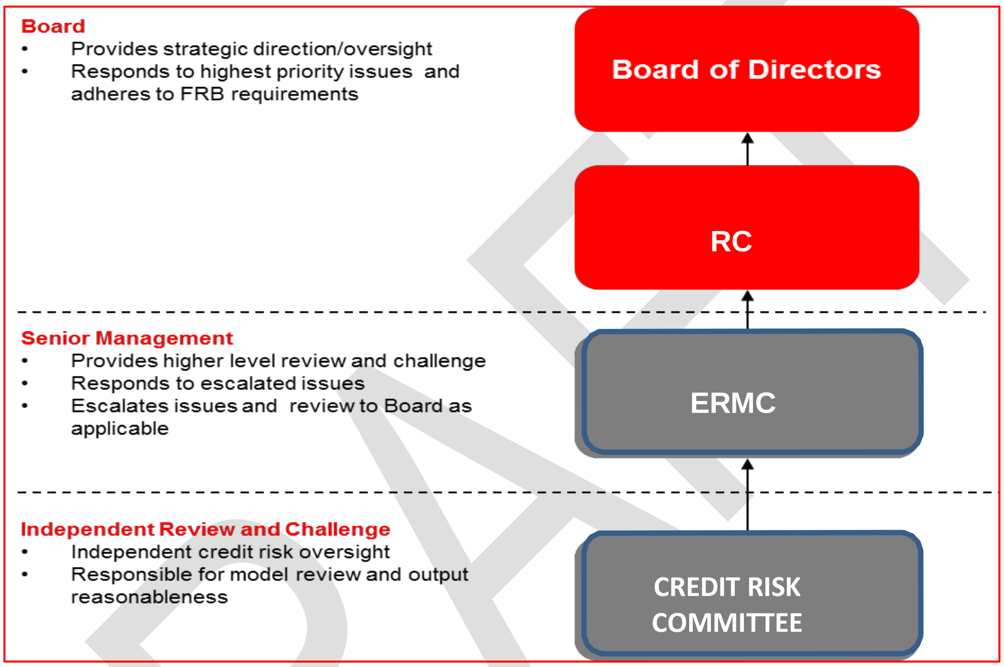
9.3 SHUSA Credit Risk Management Reports

Report Name	Description	SHUSA Audience	Frequency
Weekly Credit Risk Profile Report	A core credit report designed to provide a detailed analysis of the changes in key credit metrics on a more frequent basis than in-between monthly reporting cycles.	CRC	Weekly
Risk Tolerance	Assembles credit risk ratios established by Subsidiary's respective framework and measures the credit risk health of each Subsidiary against limits established by the Subsidiary's RTS.	CSRO, CRC, ERMC, RC	Monthly
Monthly SHUSA Credit Risk Report	Monthly credit volumes and data quality review on the holding entity's levels in addition to a breakdown for each Subsidiary. Monthly changes are highlighted and explained.	CSRO, CRC ERMC, RC	Monthly
FED Report	A report requested by the Federal Reserve, which shows quarterly credit volumes and data quality movements. It covers the holding company and breaks down information based on individual Subsidiaries.	Federal Reserve	Quarterly
OCC Request I (Classified Assets)	A report requested by the OCC detailing SHUSA's classified assets.	OCC	Quarterly
OCC Request II (Commercial Credits)	A report requested by the OCC detailing SHUSA commercial credits.	OCC	Quarterly
Madrid Monthly Presentation	Monthly presentation sent to the parent company highlighting SHUSA, SBNA, and SCUSA credit metrics and operations.	Parent company, Bank of Spain	Monthly

9.4 Reporting Structures

Adequate tools must exist to assess credit risk needs and trends, as well as changes in assessment levels across financial products and business lines, for both normal and abnormal market conditions. SHUSA uses the following key reporting structure to measure and monitor credit risk:

- **SHUSA Reporting Structure**



- **Subsidiary Reporting**

  Each Subsidiary CCRO must develop his or her own internal reporting structure and is responsible for establishing and maintaining clear lines of communication with the SHUSA CCRO concerning any updates or changes associated with management report, policies or other relevant documents.

  Subsidiary CCROs are accountable to their respective CRCs and Board and they report functionally to the SHUSA CCRO. This is to ensure consistency with the principles laid out in this Policy and all other procedures and documents related to credit risk management.

10. Exceptions

10.1 Exceptions to the Policy

While policy exceptions may be appropriate, such exceptions should be kept to a minimum. It is expected that there may need to be periodic exceptions to the policies contained herein, and prior written approval must be obtained from the SHUSA CRO before any commitments or advances may be made pursuant to an exception.

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

Any Subsidiary seeking an exception must assess the risk that non-compliance causes SHUSA. If the Subsidiary believes the risk is reasonable, then the Subsidiary CRO must prepare a written request for an exception describing the risk analysis. The risk analysis must include: identification of the threats and vulnerabilities resulting from non-compliance with the Policy, the likeliness of an occurrence, and the potential impact, monetary or other, of an occurrence, versus the cost to comply; an evaluation of the potential risk to the Subsidiary; and the value the exception will bring to the Subsidiary requesting the exception.

The Subsidiary CRO must submit the exception request to the SHUSA CRO who will then gather any necessary background information in order to provide a recommendation to either approve or deny the request. The SHUSA CRO may include other areas in the decision making process such as ERM or Internal Audit. The SHUSA CRO, or a designee, will approve or deny the request for an exception, and the requesting Subsidiary CRO will be notified of the decision.

Exceptions are valid for a one-year period. As part of the required periodic review of this Policy, SHUSA CRO will send a copy of approved exceptions back to the requesting Subsidiary CRO who must confirm that there have been no changes that would preclude the exception from being continued.

Exceptions will be documented in the appendix of this Policy and identify the Subsidiary CRO and their rationale for the request. Policy specific exceptions will be granted by the SHUSA CRO throughout the calendar year and then formally reviewed by the designated oversight forums (e.g., ERMC, RC) as part of a required periodic review.

Over time there may be a need to modify these policy guidelines given a change in SHUSA's strategy or changes in the competitive environment. When such a modification appears necessary, changes must be approved by the Board.

10.2 Issue Management/Escalation of Non-Compliance Issues

Subsidiary policies and procedures shall ensure management is expected to correct promptly compliance violations with this Policy and/or control weaknesses whether self-identified or identified by the SHUSA CRO, Internal Audit, external auditors or regulators. Subsidiary CCROs are responsible for preparing corrective action plans to address compliance weaknesses or failures. The Subsidiary CRO must review and approve these plans and when appropriate, he or she notifies all appropriate oversight committees of compliance issues and corrective actions, and tracks and monitors compliance issues and the status of corrective actions.

11. Document History and Version Control

11.1 Ownership and Authorship

Version	Date	Author	Owner	Reason for Change
1.0	5.9.14	SHUSA CRO	SHUSA CRO	Initial version

11.2 Sign off

Approving Body	Governance Committee Approval	Final Approval Date

12. Appendices

12.1 Appendix A – Key Contacts

Title	Role	Contact
SHUSA CRO	Oversight of ERM policies across SHUSA	B. Gunn
SHUSA CCRO	Policy Owner and primary point of contact on policy related matters	J. Hennessey
SHUSA Director of Credit Risk Governance	Assisting SHUSA CCRO on policy related matters	J. Baraybar

12.2 Appendix B – Regulatory References

Regulatory Agency/Act	Section	Title
Federal Reserve System	Section 1050.0: Consolidated Supervision of BHCs and Combined US Operations of FBOs	Bank Holding Company Supervision Manual
Federal Reserve System	Section IV: Enhanced Prudential Standards for FBOs	Dodd-Frank EPS for Bank Holding Companies and Foreign Banking Organizations
Federal Reserve System	Estimation Methodologies for Losses, Revenues, & Expenses	Capital Planning at Large Bank Holding Companies: Supervisory Expectations and Range of Current Practice – August 2013

12.3 Appendix C – Related Policies and Process and Administrative Documents

Document Type	Entity and Department	Owner	Document Title
Policy	SHUSA	CRO	NPBA - New Products/Business Activities Policy
Framework	SHUSA	CCRO	SHUSA Credit Risk Management Framework
Framework	SHUSA	CRO	SHUSA ERM Model Risk Management Framework
Framework	SHUSA	CRO	SHUSA Enterprise Risk Management Framework

12.4 Appendix D – Entity Definitions

- **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.

- **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.

12.5 Appendix E – Glossary of Acronyms

Acronym	Description
ALLL	Allowance for Loan and Lease Losses
Bank of Spain	The National Central Bank of Spain
BHC	Bank Holding Company
Board	Board of Directors
CCAR	Comprehensive Capital Analysis and Review
CCO	Chief Credit Officer
CEO	Chief Executive Officer
CIB	Corporate and Investment Banking
CP	Credit Professional
CRM	Credit Risk Management
CRO	Chief Risk Officer
DFAST	Dodd-Frank Act Stress Testing
EBA	European Banking Authority
ECB	European Central Bank
EPA	Enterprise Policy Administration
EPS	Enhanced Prudential Standards
ERM	Enterprise Risk Management
ERC	Enterprise Risk Committee
ERMC	Enterprise Risk Management Committee
Federal Reserve, FED, FRB	Federal Reserve Board of Governors
FEVE	Firmas en Vigilancia Especial
GAAP	Generally Accepted Accounting Principles
GBM	Global Banking & Markets
IHC	Intermediate Holding Company
KRI	Key Risk Indicators
KYC	Know Your Customer
LEP	Loss Emergence Period
LGD	Loss Given Default
MIS	Management Information Systems
MRG	Modelo de Relaciones Globales - Global Relationship Model
MRM	Model Risk Management
NPBA	New Products/Business Activities
OCC	Office of the Controller of the Currency

PD	Probability of Default
PFE	Potential Future Exposure
Acronym	**Description**
RAS	Risk Appetite Statement
RC	SHUSA Risk Committee
RORAC	Return on Risk Adjusted Capital
RTS	Risk Tolerance Statement
RV	Residual Value
SBNA	Santander Bank, National Association
SCUSA	Santander Consumer USA, Inc.
SCP	Strategic Commercial Plan
SHUSA	Santander Holdings USA, Inc. (“SHUSA”)
TDR	Troubled Debt Restructuring