

Santander Holdings USA, Inc.



Market & Interest Rate Risk Management Policy

Enterprise 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

The SHUSA Market & Interest Rate Risk Management Enterprise Policy ("Policy") sets out the minimum requirements, principles and guidelines that apply to the management of the Market and Interest Rate risks that arise at Santander Holdings USA ("SHUSA" or "Company") and its Subsidiaries (together "the Organization") through the ordinary course of business and through their market trading activities.

The application of this Policy will ensure that these risks are managed within the approved Risk Tolerance Statement limits approved for Net Interest Income ("NII") and Market Value of Equity ("MVE") and within the lower level limits and Mandates that are cascaded down through the Organization.

The Policy develops the principles, roles and responsibilities and accountabilities set out in the SHUSA Enterprise Risk Management Market & Liquidity Risk Framework and must be read in conjunction with the Framework.

The Operating policies developed by SHUSA and its Subsidiaries embed the Statements contained in this Policy into the daily management of market and interest rate risks as specifically applicable to the activities of each Subsidiary.

1.2 Scope

This Policy applies to SHUSA and its Subsidiaries. It is addressed to:

- 1st Line staff at SHUSA or its Subsidiaries that report to the Chief Financial Officer within the Treasury function and who are responsible for managing the market and interest rate risk on the balance sheet and to 1st Line staff that originate and manage market and interest rate risk through trading activities such as those performed by Santander Global Banking and Markets ("SGBM");
- 2nd Line staff that report to the Chief Market Risk Officer ("CMRO") of SHUSA or its Subsidiaries and who are responsible for the control of market and interest rate risks.

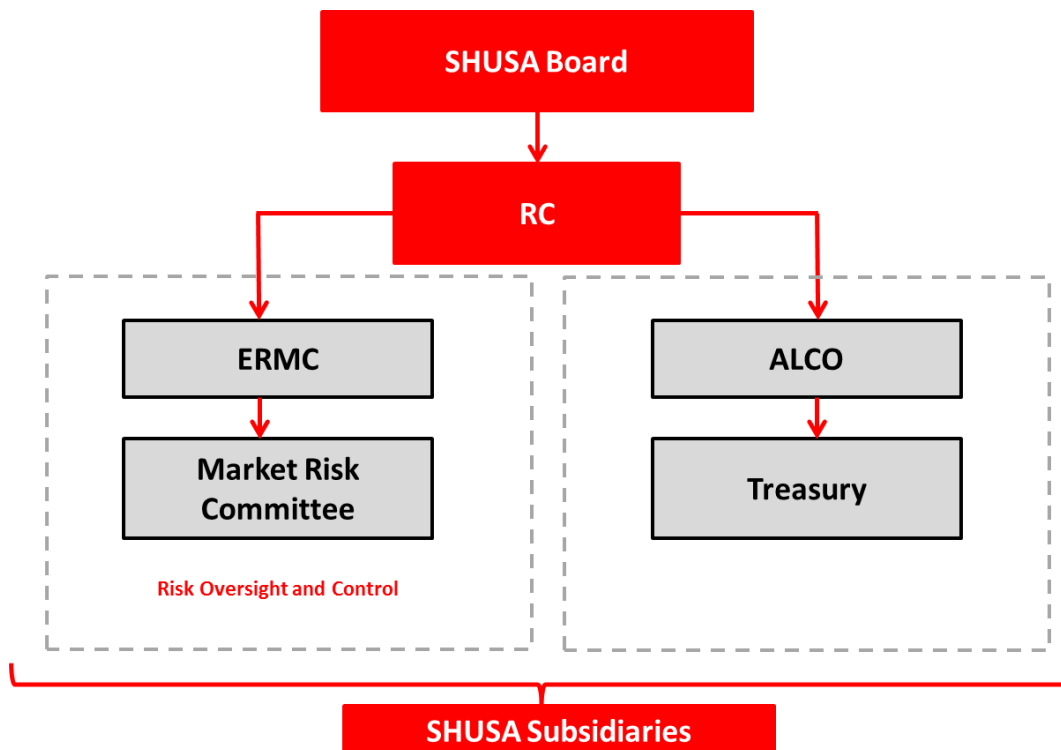
1.3 Document Approval and Maintenance

This Policy is owned by the SHUSA CMRO. It is approved at least annually by the SHUSA Board of Directors (the "Board") under the recommendation of the SHUSA Executive Risk Management Committee (the "ERMC"). More frequent reviews shall be made whenever material changes in prevailing economic conditions, regulations, or the activities of SHUSA or its Subsidiaries may, in the

opinion of the ERM, the Chief Risk Officer or the CMRO, materially impact market and interest rate risk management requirements.

2. Policy Governance and Accountability

SHUSA has established the following governance structure to oversee the Market and Interest Rate Risk (“IRR”) management and oversight of its operations.



For indicative purposes, the table below provides a high level description of the roles and responsibilities of each risk committee with regards to Market and Interest Rate Risk. 1st Line roles are fully depicted in chapter 6. In addition, full roles and responsibilities are included in the relevant Committee Charter.

Board of Directors (Board)	<ul style="list-style-type: none">• The Board must approve the acceptable level of market risk that SHUSA may assume in connection with its operating strategies (market risk tolerance) and the Policy at least annually.
Risk Committee (RC)	<ul style="list-style-type: none">• Review at least annually and recommend to the Board for approval, Market and Liquidity Risk Tolerance Statement and the Policy.• The Risk Committee (the "RC") reports to the Board. The Board delegates oversight responsibilities for all risk-taking and risk management activities including market risk management to the RC.• Review and approve, at least annually, the Market and Liquidity Risk Management Framework.
Enterprise Risk Management Committee (ERMC)	<ul style="list-style-type: none">• Report to the RC regarding SHUSA's market risk profile and market risk tolerance at least quarterly or more often if there are material changes in market conditions or the company's market risk profile.• Oversee the development and implementation of market risk measurement and reporting systems as directed by the RC.
Market Risk Committee (MRC)	<ul style="list-style-type: none">• Review operating policies and guidelines in accordance with the requirements of SHUSA's enterprise risk management governance and ensure consistency across business units.• Review and recommend operating limits for submission to the ERMC.• Review and recommend procedures and application manuals with respect to market risk and IRR management.

3. Sources of Risk in the Banking and the Trading books

For the purposes of this Policy market risk is classified into non-traded and traded risk.

Non-traded risk originates on the banking book:

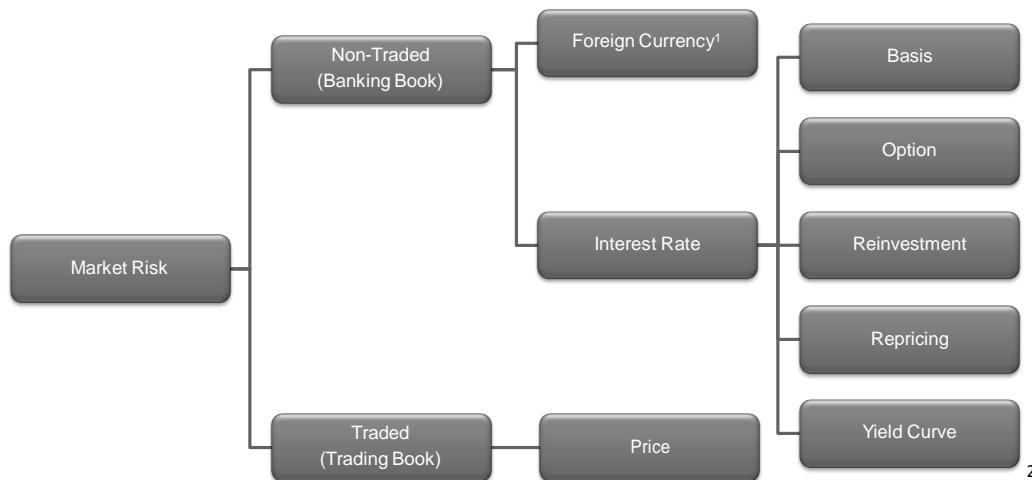
- The banking book (or non-trading) is an accounting term that refers to assets on a firm's balance sheet that are expected to be held to maturity and where the firm is not required to mark these to market¹.
- Unless there is reason to believe that the counter-party will default on its obligation, they are held at historical cost.

¹ In the banking book, unrealized losses in available-for-sale products are reflected in Other Comprehensive Income ("OCI").

Traded risk originates on the trading book:

- The trading book is an accounting term that refers to assets held by a bank that are regularly traded.
- The trading book is subject to daily market-to-market (“MTM”), but with realized and unrealized gains and losses directly impacting profit and loss statements (“P&L”).

This risk universe, as described in the graph below, must be identified, managed, monitored and reported by the 1st Line and 2nd Line functions responsible for Market and Interest Rate Risk.



3.1 The Banking Book

- **Basis Risk** arises from changing interest rate relationships between different yield curves. For example, a one year-loan priced at the London InterBank Offered Rate (“LIBOR”) + spread, may be funded by a one year Certificate of Deposit (“CD”) priced at US Treasuries + spread. Although the asset and liability both have adjusting interest rates and reprice at the same time, the spread between LIBOR and Treasuries may change, which would cause the earnings from this position to change. The potential exposure arising from this spread changing is referred to as basis risk.
- **Option Risk** arises when a customer has the right, but not obligation, to alter the level and/or timing of the cash flows of an asset, liability, or off-balance sheet (“OBS”) instrument. Such options often result in an asymmetrical risk/reward profile for the Company. Generally, customers exercise embedded options for their advantage which is

² Foreign currency risk is also a form of market risk. Any banking book exposure to foreign currency exposures is hedged at the discretion of the Asset Liability Committee (ALCO).

disadvantageous to the Company. For example, customers with fixed-rate real estate mortgages typically exercise their options to prepay when rates are falling; the bank would receive principal payments in lower rate environments.

- **Reinvestment Risk** is the risk that a bank will not be able to reinvest the proceeds from payments of principal or interest from investments or loans at the current rate of return. Real estate mortgage prepayment risk also gives rise to reinvestment risk.
- **Repricing Risk** (a.k.a. mismatch risk) arises from differences between the timing of interest rate changes. The contractual repricing of assets, liabilities, or OBS instruments is of critical importance when evaluating repricing risk. For example, if a 3-year fixed rate CD is used to fund an adjustable 3-year corporate loan resetting every 90 days, the Company is exposed to repricing risk every 90 days. Another example is funding a fixed rate real estate mortgage with adjustable rate deposits.
- **Yield Curve Risk** is the change in the slope and the shape of the yield curve resulting from changing rate relationships across the spectrum of maturities. For example, consider a structured note that reprices every quarter, but pays a formulaic rate based on the spread between 5-year Treasury bond and a 3-month Treasury bill. If the slope of the U.S. Treasury yield curve changes, the earnings stream and value of this structured note will change.

3.2 The Trading Book

- **Price Risk** is the risk of a decline in the value of a security or a portfolio due to movement in market prices. For trading portfolios the decline in value is recognized in the P&L for that period. Price Risk is the predominant risk exposure of the Trading Book given the short term maturity of the portfolio (usually measured in days).

4. Policy Statements

In order to comply with the Policy Statements set out below, SHUSA and its subsidiaries will implement processes, systems and controls that will be used to identify, measure, monitor and manage market risks and IRRs, and will follow the Market Risk Management Lifecycle described in Chapter 5 of this Policy.

4.1 Banking Book

- Balance sheet management of the banking book is undertaken on the basis of a comprehensive assessment of the balance sheet, including off balance sheet instruments such as derivative instruments.

- The banking book includes balance sheet assets such as investments, loans, deposits, and borrowings. The banking book exposure is measured by both the change in value of the assets and the change in the earnings that are generated by the assets.
- A diversified portfolio of instruments with different maturities, yield curves, and counterparties will be used to avoid concentration risk.
- Only predefined authorized instruments can be utilized for position-taking activities. The risks of these instruments are properly understood before being included in the authorized list. Stand-alone short positions are prohibited.
- A comprehensive suite of limits and mandates for interest rate risk, that cover all the relevant sub-risks as defined in this Policy, are embedded in the day to day management of the business.
- Controls and monitoring processes are in place to ensure that all risks are measured in a manner appropriate to their nature and materiality throughout the Market Risk Management lifecycle.
- The aim is to manage the Net Interest Income and Market Value of Equity risk exposure within the approved risk tolerances.
- Through the Funds Transfer Pricing system³, the ALCO manages the interest rate risk that is originated by the Subsidiaries and the Business Lines.

4.2 Trading Book

- Management of the trading book must encompass all trading positions.
- The trading book risk measurement is focused on the change in value of the positions.⁴Due to the short-term nature⁵ of the trading book, the trading book's risk is measured and managed separately from the banking book.

³ For further information refer to Funds Transfer Pricing Policy

⁴ Details on economic value and earning sensitivity are in 5.2 Risk Measurement.

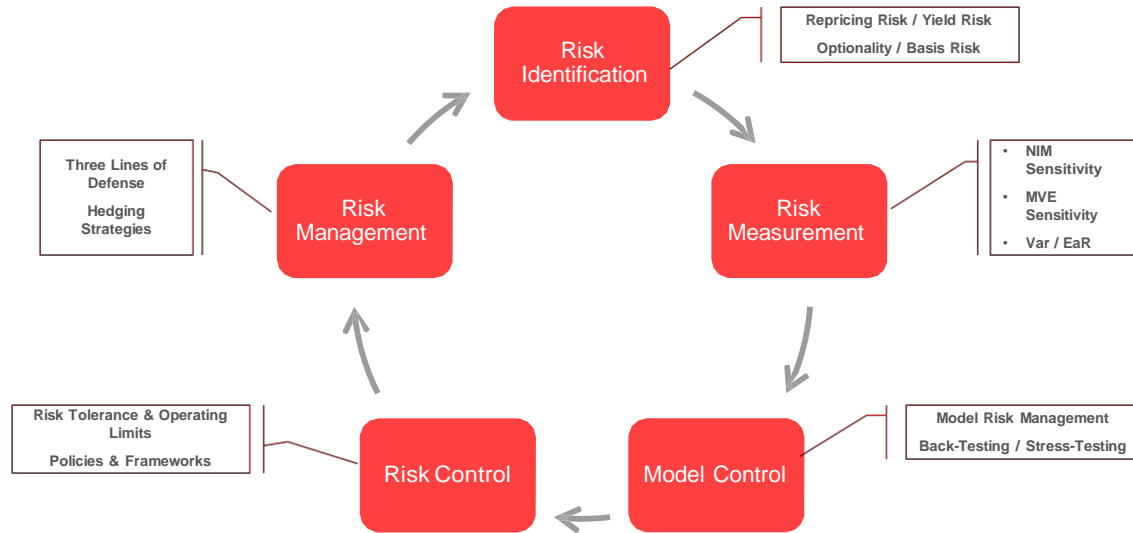
⁵ Instruments in the trading book are generally held with the intention of short-term resale; held with expectations of profiting from short-term price movements or arbitrage profits; and/or to hedge risks resulting from such instrument types. Additional guidance on contents of a trading book include: instruments designated as held for trading, instruments resulting from market-making activities, listed equity positions, and options.

- Daily Value-at-Risk ("VaR"), along with other key metrics (sensitivity to market factors, Stress VaR, scenario analysis, etc.), will be used as a principal tool to measure trading book's market risk and ensure that there is sufficient capital to absorb the possible losses."
- Moving instruments between the trading book and banking book is restricted and must fall within regulatory guidelines to do so.



5. The Market Risk Management Lifecycle

An overview of the processes, systems and controls used to identify, measure, monitor, controls, and manage market risk is illustrated below. Overall, the Market Risk Management Lifecycle will be appropriate to the nature, size and complexity of the business activities and risk exposures of SHUSA and its Subsidiaries.



5.1 Risk Identification

Based on the sources of market and interest rate risk described in Chapter 3 of this Policy, all staff engaged in Market and IRR management will ensure that risks are subject to a continuous cycle of identification, to ensure that all existing, new and emerging risks are assessed and controlled in a comprehensive and timely manner and that the economic impact of Market and IR risks on the income statement and the balance sheet are understood, measured and controlled.

5.2 Risk Measurement and Assessment

Market and IRR measurement models, metrics and tools must be in place in order to prudentially assess risk metrics adequacy in all phases of the exposure lifecycle, and to ensure consistent decision criteria are followed across SHUSA and its Subsidiaries.

SHUSA and its Subsidiaries must have policies and procedures that need to be clearly defined and consistent with the nature and complexity of their activities. These policies will be applied on a consolidated basis and, as appropriate, at the level of individual Subsidiaries, especially when recognizing legal distinctions and possible obstacles to cash movements among Subsidiaries.

SHUSA and its Subsidiaries must have adequate information systems for measuring, monitoring, controlling, and reporting market exposures. Reports must be provided on a timely basis to the Board and senior management.

Risk measurement will also support a meaningful evaluation of the effect of stressful market conditions on SHUSA and its Subsidiaries. Stress testing will be designed to provide information on

the kinds of conditions under which market or interest rate risk strategies or positions would be most vulnerable, and thus may be tailored to the risk characteristics of SHUSA or its Subsidiaries.

5.2.1 Primary Risk Metrics

- **Market Value of Equity (“MVE”)** is the difference between the market value of assets and the market value of liabilities plus the market value of the OBS. Said differently, MVE is the net market value of the Company’s balance sheet. MVE provides a longer term economic view of the Company’s IRR exposure that incorporates all future contractual and modeled cash flows from existing asset/liability and OBS exposures.
- **MVE Sensitivity** measures the estimated potential change in MVE due to various parallel and non-parallel changes to interest rates. The base MVE is calculated using the spot interest rates. Duration and convexity is also calculated through the parallel changes to interest rates.
- **Net Interest Income (“NII”)** simulation is a forward looking measure of the net interest margin (“NIM”). Compared to MVE, which values the balance sheet as of a point in time, NII may include balance sheet growth assumptions.
- **NII Sensitivity** measures the estimated potential change in NII due to various parallel and non-parallel changes to interest rates. It is the difference between interest income from assets minus interest expense from liabilities plus the NII from OBS. NII provides a short-mid-term view of interest rate impact to earnings.

5.2.2 Secondary Risk Metrics

- **Repricing Gap** uses the maturity or repricing schedules of balance sheet items and derivatives to determine the differences between maturing or repricing items within given tenor buckets. A positive gap usually leads to a positive effect on the net interest revenue due to a rise in interest rates rise and vice versa.
- **Duration** is the approximate percentage change in price for a 100 basis point change in rates.
- **Convexity** measures the sensitivity of a bond's duration to changes in interest rates. Callable bonds have negative convexity, which means that as market yields decrease, duration decreases as well. Similar to Gamma.

- **Delta** measures the rate of change of the theoretical option value with respect to changes in the underlying asset's price.
- **Gamma** measures the rate of change in the delta with respect to changes in the underlying price.
- **Theta** measures the sensitivity of the value due to the passage of time.
- **Vega** measures the sensitivity to volatility of interest rates.
- **Rho** measures the sensitivity to a change in interest rates.

5.2.3 Stochastic Analysis

- **Earnings-at-Risk ("EaR")** is an estimate of the potential loss in NII over a specified horizon within a given confidence level due to changes in interest rates. It is typically used to measure the maximum loss in NII in a one year to two year horizon for the banking book.
- **Value-at-Risk ("VaR")** is an estimate of the potential loss of value over a specified horizon within a given confidence level due to changes in interest rates. It is the primary risk measure for the trading book and is used to measure the maximum potential loss value in a one day horizon. However, it can also be used for the banking book for any determined horizon.

5.3 Model Control

The usefulness of the market risk metrics depends on the validity of the underlying assumptions and the accuracy of the methodologies used to measure market risk exposure (back-testing). Market Risk will ensure that the assumptions and model results are clearly understood by risk managers and the senior management.

Market Risk controls the input data and performance of the models it uses in accordance with the U.S Market Risk Model Control Standards, Guidelines, and Procedures as well as the SHUSA Model Risk Policy. Additionally, Market Risk mitigates model risk by producing user specification documents for new model developments and by running user acceptance tests before a model is put in production.

The following sections describe the general characteristics of the models. Each model's development documentation will be consulted for the detail on the model structure and assumptions.⁶

5.3.1 Prepayment Model

Prepayment is any repayment of loan principal that is not contractually mandated. Prepayment models are used to calculate the expected cash flows, excluding defaults, under current and shocked interest rate conditions. Other factors which affect prepayment behavior, such as credit score and housing prices, may be included in the prepayment model, but SHUSA and its Subsidiaries are primarily interested in assessing changes in prepayment speeds that occur because of changes in interest rates.

5.3.2 Non-maturity Deposit Models

Non-maturity deposits ("NMD") have no specific maturity and individual depositors can freely add or subtract balances as they wish. Additionally, there is no way to distinguish new clients from old clients because the same interest rates are paid to both. The interest rate on NMD is an administered rate and its relationship to market rates must be estimated.

The deposit model is divided into three parts:

- The categorizing deposits between stable and non-stable buckets (a.k.a. core and non-core)
- The attrition (run-off) rates of deposits based on the each deposit bucket
- The forecasted NMD interest rate modeled as a linear function of a lagged market rate

⁶ The models listed are intended for illustration purposes; for more information please refer to the documents listed.

5.3.3 Yield Curve Scenario Generating Models

Market Risk includes Parallel and Non-Parallel shifts (“NPS”) to yield curve analysis to show the sensitivity of MVE and NII to changes in the shape of the yield curve. The NPS yield curve scenarios consist of Plausible, Parametric, Historical, and Inflationary scenarios.

- Plausible scenarios are moderate movements in the yield curve that have occurred in recent history. U.S. Risk Methodology developed the framework used by Market Risk to construct parametric scenarios.
- The parametric scenarios are designed to maximize the change in MVE based on the current LIBOR yield curve, the Key Rate Sensitivity profile, short and long rates, annual short and long historical volatilities, and a pivot point.
- Historical scenarios are based on applying historical changes to the current market data.
- The Inflationary scenarios use Treasury Inflation-Protected Securities (“TIPS”) quotes as an input.

5.3.4 Term Structure Models

SHUSA and its Subsidiaries use term structure models to measure market risk in the banking book for those products whose future cash flows depend on interest rates (mainly mortgage related products and potentially NMDs). These models describe the entire term structure based on a single (or multiple) source of randomness, which is in general the short-term rate. The models are used together with simulation techniques to produce simulated rate paths, which are used to calculate cash flows conditioned to each simulated scenario. The cash flow paths when discounted, aggregated will give the present value for each scenario. The average of the present value across all simulated values will result in the valuation for the product.

5.3.5 Valuation and Credit Value Adjustment (“CVA”) Models

Market Risk uses several different valuation models. These include derivative valuation models that calculate P&L and price estimates assuming no arbitrage. ALM valuation models use yield curves, MTM spreads and market prices to calculate fair values for balance sheet products. Trading valuation models use mainly prices for the underlying, volatilities, and yield curves as inputs.

CVA models are used to calculate the valuation adjustment due to counterparty credit risk in a derivative portfolio and require Credit Default Swaps (“CDS”) spreads as market inputs.

5.3.6 VaR Models

Market Risk utilizes VaR models to measure the risk of loss on different portfolios (which could be the trading book, the Mortgage Servicing Rights (“MSR”) portfolio, the whole balance sheet, mortgage pipeline etc.). VaR models create either historical or simulated probability densities to determine the loss that will not be exceeded with a certain probability.

5.4 Risk Control

A fundamental component of the internal control system involves regular independent reviews and evaluations of the effectiveness of the system and, where necessary, ensuring that appropriate revisions or enhancements to internal controls are made. The results of such reviews will be available to the relevant supervisory authorities.

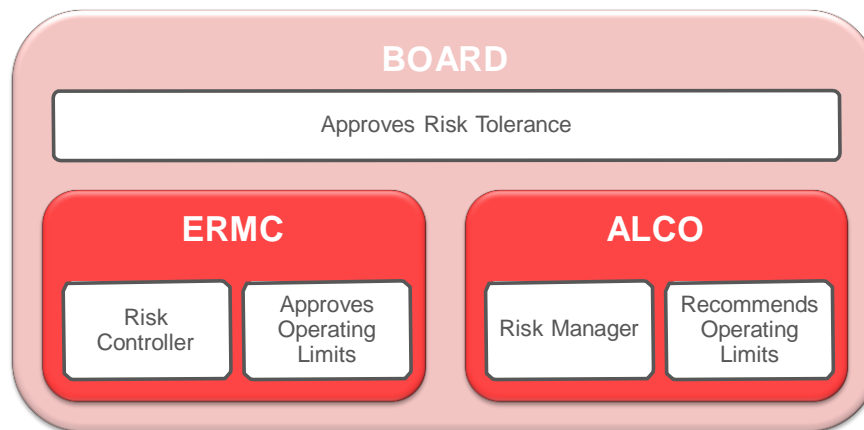
A map of operating limits must be established to give effect to SHUSA’s Risk Tolerance Statement. The map of limits is the core tool for the decision making process, mandating that no risks are taken beyond those deemed acceptable. Further information is available in the SHUSA Risk Tolerance Statement & Risk Mandates.

SHUSA and its Subsidiaries will measure their vulnerability to loss under stressful market conditions - including the breakdown of key assumptions - and consider those results when establishing and reviewing their policies and limits for market risk.

The objectives of the limit structure are as follows:

- Limit in a comprehensive and efficient manner all significant risks identified and managed by the Treasury, ensuring consistency with a defined business strategy.
- Quantify and communicate the level and risk profile the board of directors and senior management has defined to avoid unwanted risk exposures.
- Give flexibility to the ALCO in determining risk management strategies, in accordance with defined risk appetite levels, given changing market conditions.

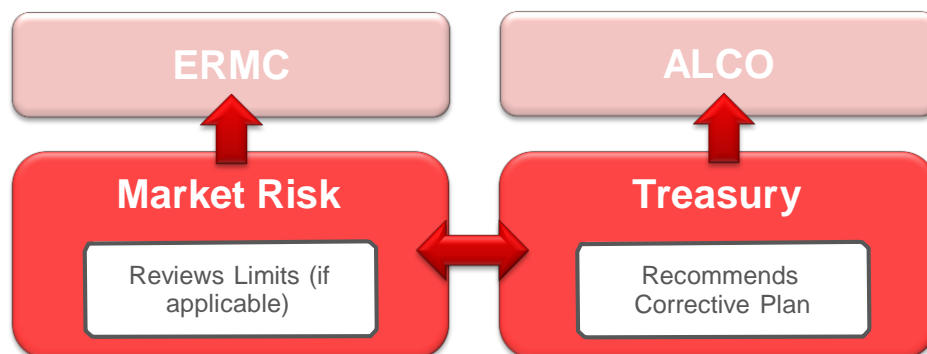
The following illustration describes the process by which Risk Tolerance Statements and Operating Limits are approved:



The Risk Tolerance Statement will be approved by the SHUSA Board. Operating limits and Authorized Products will be reviewed at least annually by ALCO and submitted for approval to the ERM. In addition, operating limits may be modified at any time by the ALCO given changing market conditions.

Market Risk is responsible for ensuring compliance with both, RTS and operating limits. Any limit breach will be communicated to the Treasurer, who will document a corrective plan before escalated to the ALCO and the ERM (reported by the Market Risk team) respectively.

Both ALCO and ERM can be summoned extraordinary specifically to assess this correction plan.



5.5 Risk Management and Hedging

SHUSA and its Subsidiaries deploy market risk management strategies to stabilize earnings, and

prevent significant losses in adverse scenarios. The aggregate IRR is assumed and managed by the respective ALCO and executed by the Treasury. The inherent market risk in every business activity in SHUSA or its Subsidiary is transferred to the ALCO through the Funds Transfer Pricing (“FTP”). Treasury manages the aggregate profile by using authorized instruments such as interest rate derivatives and investments to hedge/influence the risk profile according to strategic decisions made by ALCO. The instruments used will be diversified by types of instruments and length of maturity.

- Hedging recommendations and strategies will be designed by the Treasury and will only be engaged in for the purpose of mitigating income/market volatility.
- The ALCO has the authority to approve all hedging strategies and is responsible for their regular monitoring.
- The Market Risk Committee will also monitor all hedging activities to ensure they remain within the approved limits and mandates.
- The Treasury shall be responsible for executing hedge strategies (within the limits approved by ERM) at the direction of the ALCO.
- The Funds Management Group (“FMG”) shall also be responsible for periodically rebalancing and managing hedge positions as directed by the ALCO.
- All derivatives activities, whether for hedging or non-hedging purpose must be reported to the ALCO at least on monthly basis, by specifying the notional amounts of exposure and the current mark to market exposures, along with other relevant information on the ineffectiveness of the hedging strategy
- All staff engaged in Market and Interest Risk management and hedging will have clearly segregated roles and responsibilities between authorization, management, measurement and control.

6. Roles & Responsibilities

6.1 Three lines of defense

A multilayered system of checks and balances is in place to effectively identify and manage risk. Reflecting leading industry practices, SHUSA and its operating entities have established a “three lines of defense” operating model to manage market and interest rate risks.

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

- Treasury acts as the first line of defense, and identifies, assesses, manages, reports and controls the risks associated with SHUSA's market risk profile and market activities. They are responsible for executing the market risk mandate approved by the ALCO.
- Market Risk acts as the second line of defense, provides independent oversight of Treasury's market risk measurement by:
 - Monitoring, reviewing and challenging the Treasury's assumptions, model output, and market risk analyses.
 - Guaranteeing the integrity of the models approved by the Model Risk Management Committee ("MRMC")
- Internal audit, acts as the third line of defense, assesses whether the first and second lines of defense are effectively meeting their responsibilities, as well as adhering to the risk management guidelines established by the Board and the laws and regulations governing SHUSA operations.

6.2 Roles & Responsibilities

The following is a summary of the roles and responsibilities of the Lines of Defense engaged in Market and Interest Rate Risk management. Further details can be found in the ERM Market & Liquidity Risk Framework.

1st Line

Asset Liability Committee (ALCO)	<p>ALCO is responsible for ensuring that the balance sheet's market risk is managed consistent with SHUSA's financial performance and risk tolerances. Such activities include but not limited to:</p> <ul style="list-style-type: none"> • Establish and implement strategies, policies and procedures designed to effectively manage market risk and recommend them for approval to the Board; • Determine at least quarterly whether the organization is operating in compliance with such policies and procedures; • Review and assess the management of market risk within the risk appetite and limits approved by the Board and review the Company's compliance with those limits at least quarterly; • Review SHUSA's funding profile considering diversification, future funding needs, and market developments; • Evaluate SHUSA's risk profile considering collateral management, asset liability management ("ALM") position, pricing of term funding, internal interest rate risk hedging strategies and costs, and the impact of customer behavior on market risk; • Approve market and interest rate related stress testing practices, methodologies, and assumptions at least quarterly, and whenever SHUSA materially revises its stress testing practices, methodologies or assumptions.
Treasury	<ul style="list-style-type: none"> • Effectively manage the bank's risk exposure and properly manage interest rate and liquidity risk exposure under the policy guidelines. • Propose and implement a remediation plan if it is needed to readapt the interest rate and/or liquidity risk exposure of the institution under the appropriate policy guidelines, in case of a limit overage exist. • Propose investment, funding, and hedging strategies to ALCO 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.
Finance	<ul style="list-style-type: none"> • Develop and maintain FTP process to transfer inherent business risk to Treasury. • Maintaining accounting policies and procedures relating to financial instruments. • Provide P&L calculations for investment security sales.

2nd Line

SHUSA Chief Risk Officer (CRO)	<ul style="list-style-type: none"> • Oversee the establishment of market risk limits on an enterprise-wide basis and the monitoring of compliance with such limits. • Oversee the implementation of and ongoing compliance with the market risk policies and procedures approved by the Board. • Oversee the management of market risks and controls within the parameters of the company's risk control framework, and monitoring and testing of the company's controls market risks. • Report market 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.
Chief Market Risk Officer (CMRO) – Owner of the Policy	<ul style="list-style-type: none"> • Responsible for the day-to-day management of Market Risk, as well as for the coordination and supervision of Market Risk Management functions in the subsidiaries. • The SHUSA CMRO, in agreement with the Subsidiary CRO, will participate in the decision to hire or dismiss Subsidiary CMROs, set goals and objectives for Subsidiary CMROs, contribute to the annual performance evaluations and participate in compensation decisions of Subsidiary CMROs. • Leads the SHUSA ERM Market & Liquidity Risk program across subsidiaries, providing for effective supervision of all Market & Liquidity risks and operating independently from the Subsidiaries and their Business Lines. • Ensures that SHUSA's Market & Liquidity risk management committees are informed and are able to discharge their responsibilities according to their charters.
Market Risk (MR)	<ul style="list-style-type: none"> • Oversee the establishment of risk limits on an enterprise-wide basis. • Control and monitor the compliance of policy guidelines and Risk Tolerance Statement. • 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 the Company's risk control framework. • Measure, report and monitor the market risk exposures of the Bank in fulfillment of its policies. • Alert and escalate limit overage and potential risks that the organization can receive from new product or market conditions. • Control and guarantee that all official metrics and model for interest rate and liquidity risk management purposes corresponds to the approved by Model Committee. • Alert and escalate model weaknesses identified throughout Early Warning Indicators. • Report risk-management deficiencies and emerging risks to the risk committee and resolving risk-management deficiencies in a timely manner on not less than a quarterly basis.

6.3 Independent Review

As described in the three lines of defense model, Internal Audit is an independent function that evaluates the adequacy and effectiveness of the company's market risk management processes, including stress test processes and assumptions, at least on an annual basis to evaluate SHUSA's market risk management operations.

7. Reporting Structure

Market Risk is responsible for monitoring and reporting on the execution of this Policy. The SHUSA CMRO reports noncompliance with this Policy to the SHUSA ERM. The ERM will review the reported instances of noncompliance and take action, as appropriate.

8. Exceptions

Any exception to the Board-approved Policy will be reviewed and approved by ERM and communicated to the Board or its designated committee without delay. Any modification to the Policy will be approved by the Board.

9. Document History and Version Control

9.1 Ownership and Authorship

Version	Date	Author	Owner	Reason for Change
1.0	06.26.15		SHUSACMRO	Initial version

9.2 Sign Off

Approving Body	Governance Approval	Committee	Final Date	Approval
SHUSA Board	ERMC and RC		06.26.2015	

10. Appendices

10.1 Appendix A – Key Contacts

Title	Role	Name and Contact
SHUSA CMRO	Policy Owner	M.J. Lasso, mlasso@santander.us , 617-757-5681
Director of Governance & ERM	Primary point of contact on policy related matters	V.M. Morillo, victor.morillo@santander.us , 617-757-5860
Market Risk Analyst III	Assisting Director of Governance & ERM on policy related matters	G. Uslu, gokhan.uslu@santander.us , 617-346-7453

10.2 Appendix B – Regulatory Obligations

Regulatory Agency/Act	Citation	Title
Dodd-Frank Wall Street Reform and Consumer Protection Act	Public Law No: 111-203	Enhanced Prudential Standards Final Rule
Basel Committee on Banking Supervision	N/A	Third Basel Accord
Department of the Treasury	12 CFR / 44.258; 351	Banks and Banking
Securities Exchange Commission	17 CFR / 255	Volcker Rule
Comptroller of the Currency	12 CFR / 30;168; 170	Heightened Standards

<i>Federal Reserve</i>	<i>SR 12-7</i>	<i>Guidance on Stress Testing for Banking Organizations with Total Consolidated Assets of More Than \$10 Billion</i>
<i>Comptroller of the Currency</i>	<i>12 CFR / 208; 225</i>	<i>Risk Based Capital Guidelines: Market Risk Rule</i>
<i>Federal Reserve</i>	<i>SR 10-1</i>	<i>Interguidance Advisory on Interest Rate Risk</i>
<i>Federal Reserve</i>	<i>SR 11-7</i>	<i>Guidance on Model Risk</i>

10.3 Appendix C – Related Policies and Process and Administrative Documents

<i>Document Type</i>	<i>Entity and Department</i>	<i>Owner</i>	<i>Document Title</i>
<i>Framework</i>	<i>SHUSA Market Risk</i>	<i>SHUSA CMRO</i>	<i>SHUSA Market & Liquidity Risk Management Framework</i>
<i>Model Control</i>	<i>SHUSA Market Risk</i>	<i>SHUSA CMRO</i>	<i>SHUSA Market Risk Model Control Standards, Guidelines, and Procedures</i>
<i>Model Control</i>	<i>SHUSA Market Risk</i>	<i>SHUSA CRO</i>	<i>SHUSA Model Risk Policy</i>
<i>Risk Tolerance and Mandates</i>	<i>SHUSA Market Risk</i>	<i>SHUSA CMRO</i>	<i>SHUSA Risk Tolerance Statement & Risk Mandates</i>
<i>Policy</i>	<i>SHUSA Finance</i>	<i>Finance</i>	<i>Funds Transfer Pricing Policy</i>