

**SHUSA GROUP Risk Appetite metrics**

**glossary**

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1. Introduction
   1. Purpose of the document

The SHUSA Group Risk Appetite Metrics Glossary (“Group Glossary”) details the quantitative metrics that are included in the Group Risk Appetite report for Grupo Santander, Inc. (“SHUSA”).

* 1. Scope

The Group Glossary applies to SHUSA.

In the event of discrepancies, the SHUSA document will prevail.

* 1. Document Ownership and Maintenance

As owner, the SHUSA Director of Risk Appetite is responsible for the development and maintenance of this Glossary and holds primary responsibility for ensuring it is implemented and embedded on a day to day basis.

The Glossary must be reviewed at least annually as part of the review of the Risk Appetite Statement and updated as necessary in the event of changes to the Risk Appetite metrics or to their calculations.

1. SHUSA GROUP Risk appetite metrics summary table

|  |  |
| --- | --- |
|  | **METRICS** |
| **Losses Volatility** | Loss in stress/Profit before taxes |
| Gross OpRisk Losses/Gross Margin |
| Net operational losses/Gross margin |
| **Solvency** | CET 1 under Base |
| CET 1 under Stress |
| CET 1 current |
| Tier 1 leverage Stress |
| Tier 1 leverage current |
| **Liquidity** | Trading Portfolio |
| CVA |
| Structural Funding Ratio |
| SCUSA - Available committed liquidity/average projected net originations |
| Stressed Survival Period: Local Systemic |
| Stressed Survival Period: Idiosyncratic |
| Stressed Survival Period: Systemic Global |
| Survival Horizon under Stress |
| Liquidity Coverage Ratio |
| **Concentration** | GBM concentration |
| Single Name |
| Top 5 |
| Top 20 |
| Maximum Individual exposure with clients with rating < 5.0 |
| Max. industry concentration over: Total Portfolio (exc. CRE & Multifamily) |
| Max. industry concentration over: Total Portfolio excl. retail (exc. CRE & Multifamily) |
| CRE ($10.5 B) |
| Multifamily ($10.5 B) |
| SCUSA sub-prime assets over SHUSA Net Credit Exposure |
| SCUSA RWAs/CET1 - 11% of CET1 |
| **Qualitative Elements** | SHUSA - Frequency of material Operational events >$200k in potential losses |
| SBNA - Frequency of material Operational events >$200k in potential losses |
| SCUSA - Frequency of material Operational events >$200k in potential losses |

1. Loss Volatility
   1. **Loss in Stress**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The impact to Profit before Tax (“PBT”) that SHUSA is willing and able to assume – expressed as the percentage of the annual PBT that would be at risk, based on an adverse stressed scenario affecting the relevant risks. | | |
| **DIFFERENT FROM SHUSA** | SAME | | |
| **RISK TYPE** | Strategic Risk | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| RAS Function | N/A | N/A |
| **TRIGGER AND LIMIT SETTING** | The metric is calculated once a year, to coincide with CCAR full year. It is presented as the annualized results of the full CCAR cycle, based on the FRB Adverse scenario:     * The amber trigger is set at 100% which is the standard for the Santander Group based on their risk appetite * The red trigger is set based on the outturn of the metric calculation and the current state of the strategic plans.   The trigger and limit are reviewed by the Board at the annual setting of the RAS. | | |
| **TESTING FREQUENCY** | Annual  The metric calculation is described in detail in Appendix 1. (ADD THE APPENDIX?) | | |
| **SOURCE OF INFORMATION** | Set out in the appendix | | |

* 1. **Gross operational risk losses /gross losses**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | Gross operational risk losses as a percentage of gross margin within the same period | | |
| **DIFFERENT FROM SHUSA** | SAME | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Operational Risk | SBNA Director of Operational Risk | SC Director of Operational Risk |
| **TRIGGER AND LIMIT SETTING** | The following calibration methodology is applied to the individual entity CCAR output on an annual basis to arrive at the amber trigger and red limits:   * Amber trigger:   + 9Q accumulated BHC Baseline losses from CCAR are annualized and converted into a quarterly loss amount;   + Quarterly gross loss is divided by the quarterly gross margin for BHC Baseline * Red limit:   + 9Q accumulated BHC stress losses from CCAR are annualized and converted into a quarterly loss amount;   + Quarterly gross loss is divided by the quarterly gross margin for BHC Stress   The percentages obtained above for the trigger and the limit are reviewed and a management adjustment may be applied for RAS purposes.  For SHUSA the calibration also takes into account the relative weight of the gross losses over gross margin of each entity at the consolidated level, thus providing an additional anchor for the final determination of individual and consolidated RAS triggers and limits. | | |
| **TESTING FREQUENCY** | Quarterly with cumulative data at the end of the period.  Gross operational risk losses are defined as:  Operational Risk Losses reported in the period (excluding recoveries – direct or indirect, excluding legal reserves and including legal settlements)  Gross Margin (Net Revenue) is defined as: | | |
| **SOURCE OF INFORMATION** | * Data provided by : Internal Loss Data Team * Source System : Internal Loss Database * Data Provided : Gross Operational Risk Loss Number * Data provided by : Management Control * Source System : Cumbre * Data Provided : Net revenue (Gross Margin) Number   SC The data is collected in Archer and reported from Archer. | | |

* 1. **Net operational losses/Gross margin**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | Net operational risk losses as a percentage of gross margin within the same period | | |
| **DIFFERENT FROM SHUSA** | This is a group metric that is calculated for the Quarterly report | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Operational Risk | SBNA Director of Operational Risk | SC Director of Operational Risk |
| **TRIGGER AND LIMIT SETTING** | Neither Limit trigger nor red limit. Only informative metric | | |
| **TESTING FREQUENCY** | Quarterly with cumulative data at the end of the period.  Net Operational Losses  Gross Margin  “Net Losses” as:  **Net Losses = Gross Losses - recoveries**  \*Recoveries can be either direct or indirect.  Gross Margin (Net Revenue) is defined as: | | |
| **SOURCE OF INFORMATION** | * Data provided by : Internal Loss Data Team * Source System : Internal Loss Database * Data Provided : Gross Operational Risk Loss Number * Data provided by : Management Control * Source System : Cumbre * Data Provided : Net revenue (Gross Margin) Number   SC The data is collected in Archer and reported from Archer. | | |

1. Solvency metrics
   1. **Common equity Tier 1 (CET1) Ratio (Baseline and stress)**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The minimum ratio of CET1 to Total Risk-Weighted Assets (RWAs) required under BHC Baseline and Stressed conditions. | | |
| **DIFFERENT FROM SHUSA** | SAME Metric calculation | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Capital Policy | SBNA Director of Capital Policy | SC Director of Capital Policy |
| **TRIGGER AND LIMIT SETTING** | The Amber trigger and Red limit for CET1 are set annually based on the Entity’s approved CET1 Capital Policy ratios at time of RAS setting:   * BHC Baseline scenario: Trigger is ratio for “use for capital expectations”; Limit is “internal business-as-usual minimum”. * BHC Stress scenario: Trigger is ratio “internal post-stress minimum level”; Limit is “well capitalized” Prompt Corrective Action level | | |
| **TESTING FREQUENCY** | * Annually/CCAR output: The lowest value of the 9 quarters covered by the CCAR exercise is compared to the trigger and limit derived from the application of the Capital Policy (see above). The RAS will be presented for annual review with the CCAR outputs compared to the proposed trigger and limit. * Mid-cycle: The lowest value of the 9 quarters covered by the Mid-cycle exercise is compared to the trigger and limit derived from the application of the Capital Policy * Strategic Plan (e.g. P-18): The projected capital levels from the strategic plan are compared to the RAS limits and thresholds * Monthly: On a monthly basis the actual level of the metric is compared only to the BHC Baseline scenario limit and trigger. | | |
| **SOURCE OF INFORMATION** | * Capital Policy levels: Capital team for each entity, based on the capital policy in effect at the time of the RAS submission * Annual CCAR: CCAR Team. Taken from the Y14A spreadsheet * Mid-cycle: CCAR Team. Taken from the Y14A spreadsheet * Strategic Plan: Strategic and Capital planning team * The monthly values for the SHUSA and SBNA Capital metrics are generated by Regulatory Capital and are made available through their SharePoint site each month. * The monthly values for the SC metric are generated by SC Regulatory Reporting through the monthly Schedule HC-R – Regulatory Capital report. | | |

* 1. **Tier 1 Leverage (T1L) Ratio (Baseline and stress)**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The minimum ratio of T1L to Adjusted Average Assets under Baseline and Stressed conditions | | |
| **DIFFERENT FROM SHUSA** | SAME metric calculation | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Capital Policy | SBNA Director of Capital Policy | N/A |
| **TRIGGER AND LIMIT SETTING** | The Amber trigger and Red limit for T1L are set annually based on the Entity’s approved T1L Capital Policy ratios at time of RAS setting:   * BHC Baseline scenario: Trigger is ratio for “use for capital expectations”; Limit is “internal business-as-usual minimum”. * BHC Stress scenario: Trigger is ratio “internal post-stress minimum level”; Limit is “well capitalized” Prompt Corrective Action level. | | |
| **TESTING FREQUENCY** | * Annually/CCAR output: The lowest value of the 9 quarters covered by the CCAR exercise is compared to the trigger and limit derived from the application of the Capital Policy (see above). The RAS will be presented for annual review with the CCAR outputs compared to the proposed trigger and limit. * Mid-cycle: The lowest value of the 9 quarters covered by the Mid-cycle exercise is compared to the trigger and limit derived from the application of the Capital Policy * Strategic Plan (e.g. P-18): The projected capital levels from the strategic plan are compared to the RAS limits and thresholds * Monthly: On a monthly basis the actual level of the metric is compared only to the BHC Baseline scenario limit and trigger. | | |
| **SOURCE OF INFORMATION** | * Capital Policy levels: Capital team for each entity, based on the capital policy in effect at the time of the RAS submission * Annual CCAR: CCAR Team. Taken from the Y14A spreadsheet * Mid-cycle: CCAR Team. Taken from the Y14A spreadsheet * Strategic Plan: Strategic and Capital planning team * The monthly values for the SHUSA and SBNA Capital metrics are generated by Regulatory Capital and are made available through their SharePoint site each month | | |

1. Liquidity metrics
   1. **Trading Portfolio**

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Trading Portfolio | | |
| **DIFFERENT FROM SHUSA** | Stress in trading portfolio assuming 1 month under stress (since 2007 only higher losses are taken once every 60 months, 1 month every 5 years) and poor performance over the remaining 11 months. | | |
| **ENTITY** | SHUSA | SBNA | SC |
| Yes | Yes | N/A |
| **CALCULATION** | Trading | | |
| **FREQUENCY** | Quarterly  ASK CESAR for calculation | | |
| **SOURCE OF INFORMATION** | SHUSA Market Risk | | |

* 1. **CVA**

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Stressed Credit Valuation Adjustment (“CVA”) | | |
| **ENTITY** | SHUSA | SBNA | SC |
| Yes | Yes | N/A |
| **CALCULATION** | Stress in CVAs by counterparty to a 60% LGD. To be considered in each year of stress | | |
| **FREQUENCY** | Quarterly  ASK CESAR for calculation | | |
| **SOURCE OF INFORMATION** | SHUSA Market Risk | | |

* 1. **Structural Funding Ratio**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The percentage of structural assets that are funded with medium and long term liabilities | | |
| **DIFFERENT FROM SHUSA** | SAME calculation and Limits | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Market Risk ALM | SBNA Director of Market Risk ALM | SC Director Market Risk ALM |
| **TRIGGER AND LIMIT SETTING** | SFR trigger and limit are set keeping in mind the future regulatory minimum (100%) for the Net Stable Funding Ratio, adding a buffer per management discretion, and verifying against historical trends. | | |
| **TESTING FREQUENCY** | Monthly.  The ratio of total structural funding to total structural needs[[1]](#footnote-1): | | |
| **SOURCE OF INFORMATION** | SHUSA and SBNA - Liquidity risk - File name: “201511\_O\_SFR\_Detail”  SC - Director of Liquidity Risk is responsible for production of metric. Structural Funding Ratio data is collected from Treasury and Accounting. | | |

* 1. **SCUSA - Available committed liquidity/average projected net originations**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | A measurement of the committed liquidity available to SC against projected net originations. | | |
| **DIFFERENT FROM SHUSA** | SAME calculation and Limits | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | N/A | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Market Risk ALM | N/A | SC Director of Market Risk ALM |
| **TRIGGER AND LIMIT SETTING** | Due to the nature of its business, SC does not have a liquidity stress testing survival horizon metric or an LCR metric.  The Committed Liquidity metric has been designed by management at SHUSA and SC to ensure SC has adequate liquidity to cover the time between loan origination and the time at which assets are placed in match-funded securitizations.   * The amber trigger of 6 months was established by evaluating the changes to the level of the metric if monthly funding needs increase to $1,000 MM and available liquidity decreases by $500 MM. * The red limit of 5 months was established by evaluating the changes to the level of the metric if monthly funding needs increase to $1,250 MM or greater without an increase in available liquidity. | | |
| **TESTING FREQUENCY** | Monthly  For conservatism the metric assumes no access to the securitization market (unless a new issuance has already been priced at the time of metric calculation)  No available balance under the BSNY line will be included in the metric from Sep-16 onwards. At end of each year, 1.5B BSNY line will become liquidity back-up line which is only available if a “liquidity event” is invoked under the SC Liquidity Policy. | | |
| **SOURCE OF INFORMATION** | - External warehouse capacity and available remaining BSNY commitment; data provided by SC Treasury  - Net projected originations; data provided by SC FP&A  SC – Director of Liquidity Risk is responsible for production of metric. Structural Funding Ratio data is collected from Treasury and Accounting. Available Committed Liquidity data is collected from Treasury and the Average Projected Net Originations comes from FP&A. | | |

* 1. **Stressed Survival Period: Local Systemic**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | Local systemic | | |
| **DIFFERENT FROM SHUSA** |  | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Market Risk ALM | SBNA Director of Market Risk ALM | SC Director Market Risk ALM |
| **TRIGGER AND LIMIT SETTING** |  | | |
| **TESTING FREQUENCY** | Ask Roberto Or Jorge | | |
| **SOURCE OF INFORMATION** |  | | |

* 1. **Stressed Survival Period: Idiosyncratic**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | Idiosyncratic | | |
| **DIFFERENT FROM SHUSA** |  | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Market Risk ALM | SBNA Director of Market Risk ALM | SC Director Market Risk ALM |
| **TRIGGER AND LIMIT SETTING** |  | | |
| **TESTING FREQUENCY** | Ask Roberto Or Jorge | | |
| **SOURCE OF INFORMATION** |  | | |

* 1. **Stressed Survival Period: Systemic Global**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | Systemic Global | | |
| **DIFFERENT FROM SHUSA** |  | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Market Risk ALM | SBNA Director of Market Risk ALM | SC Director Market Risk ALM |
| **TRIGGER AND LIMIT SETTING** |  | | |
| **TESTING FREQUENCY** | Ask Roberto Or Jorge | | |
| **SOURCE OF INFORMATION** |  | | |

* 1. **Survival horizon under stress**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The amount of days remaining until SHUSA and its subsidiaries will have a cash shortfall under stressed conditions.  The metric is stressed under three different scenarios:   * Market, * Idiosyncratic, and * Combined | | |
| **DIFFERENT FROM SHUSA** | SAME calculation and Limits | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Treasury (ALM) | SBNA Director of Treasury (ALM) | N/A |
| **TRIGGER AND LIMIT SETTING** | The amber trigger (90 days) and red limit (60 days) are set because they represent a more conservative timeframe than the regulatory definition of 30 days. | | |
| **TESTING FREQUENCY** | Monthly | | |
| **SOURCE OF INFORMATION** | Data comes from Treasury. File name: “Management LST Results 2015 October”  Note: Golden Sources for calculation of the metric are changing in Q1’16. A more detailed description of the source information and calculation will be provided in due course. | | |

* 1. **Liquidity Coverage Ratio**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | A measurement of the resilience of a firm to a short term (30 days) liquidity crisis, on the basis of its High Quality Liquid Assets. | | |
| **DIFFERENT FROM SHUSA** | SAME calculation and Limits | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Treasury (ALM) | SBNA Director of Treasury (ALM) | N/A |
| **TRIGGER AND LIMIT SETTING** | LCR limits are set using the regulatory minimum (100%) as an anchor point, then adding a buffer per management discretion, and verifying against historical trends. | | |
| **TESTING FREQUENCY** | Monthly.  The proportion of High Quality Liquid assets to total net cash outflows:    The calculation of the LCR follows the standard industry calculation:   * HQLA are defined based on specific regulatory guidance under Basel III; * Net Cash Outflows are defined as expected cash outflows over the next 30 days less expected cash inflows over the next 30 days. Specific cash outflows/inflows are defined according to the specific regulatory guidance[[2]](#footnote-2). | | |
| **SOURCE OF INFORMATION** | QRM; Source and Use Report; Investment Portfolio Report; GL - File name: “RL\_LCR\_019\_201511” | | |

1. Concentration metrics
   1. **GCB Concentration**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | GBM Concentration  Concentration losses arises from a model (Montecarlo) that measures (with a probability of 1 in 40 years) the granularity of the GBM portfolio penalizing:   * Concentration in big counterparties * Low granularity of the portfolio * Credit quality in big counterparties | | |
| **DIFFERENT FROM SHUSA** | This metric is only calculated for Quarterly Group metric. | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | NO |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A |
| **TRIGGER AND LIMIT SETTING** | No Trigger nor Limit set | | |
| **TESTING FREQUENCY** | Quarterly | | |
| **SOURCE OF INFORMATION** |  | | |

* 1. **Jump to default Top 5**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | Top 5  Impact on CET1 ratio of an scenario where top 5 GBM default simultaneously with LGD 45% | | |
| **DIFFERENT FROM SHUSA** | This metric is only calculated for Quarterly Group metric. | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | NO |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A |
| **TRIGGER AND LIMIT SETTING** | No Trigger nor Limit set | | |
| **TESTING FREQUENCY** | Quarterly | | |
| **SOURCE OF INFORMATION** |  | | |

* 1. **Single obligor**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The dollar value of total exposure to any individual customer (or aggregated to guarantor) in Global Corporate Banking, Middle Market, Auto or Specialty Lending.  It excludes Financial Institutions and Insurers and other market counterparties.  Exposure is defined as the sum of:   * + Committed facilities (drawn and undrawn)   + Drawn balances under uncommitted facilities   + Off balance sheet items (e.g. Letters of Credit)   + PFE[[3]](#footnote-3) (“REC”) for derivatives.   Exposures will be calculated at individual counterparty level and aggregated as required to ultimate parent (economic group) level. Exposures to non-recourse project finance will be treated as individual exposures and not aggregated to the sponsor. | | |
| **DIFFERENT FROM SHUSA** | The only difference with the calculation of this metric is that it is calculated over shareholder equity | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A |
| **TRIGGER AND LIMIT SETTING** | This metric has no amber trigger. The red limit is set annually by the Board when reviewing the RAS. | | |
| **TESTING FREQUENCY** | Quarterly | | |
| **SOURCE OF INFORMATION** | The information is obtained from CCMIS.   * Single Obligor is defined as all related customers from the Customer table with a common Master One Obligor Number creating a Master One Obligor grouping. * Exposure is the sum of Binding Exposure for each Customer in the Customer table within the Master One Obligor grouping. * Master One Obligor Number is obtained by joining the Customer table to the Customer Additional Fields table using their native keys and joining the Master Customer Number in the Customer Additional Fields table to the Master Customer Number in the Master One Obligor To Master Customer table. * Note, PFE is not currently included as the calibration of limits did not take PFE into consideration | | |

* 1. **Top 20**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The combined dollar value of total exposure to any individual customer (or aggregated to guarantor) in Global Corporate Banking, Middle Market, Auto or Specialty Lending over shareholder equity.  It excludes Financial Institutions and Insurers and other market counterparties.  Exposure is defined as the sum of:   * + Committed facilities (drawn and undrawn)   + Drawn balances under uncommitted facilities   + Off balance sheet items (e.g. Letters of Credit)   + PFE[[4]](#footnote-4) (“REC”) for derivatives.   Exposures will be calculated at individual counterparty level and aggregated as required to ultimate parent (economic group) level. Exposures to non-recourse project finance will be treated as individual exposures and not aggregated to the sponsor. | | |
| **DIFFERENT FROM SHUSA** | This metric is calculated differently by dividing Top 20 over shareholder equity. | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A |
| **TRIGGER AND LIMIT SETTING** | The amber trigger and red limit are set annually by the Board when reviewing the RAS. | | |
| **TESTING FREQUENCY** | Quarterly | | |
| **SOURCE OF INFORMATION** | The information is obtained from CCMIS.   * Obligors are defined as all related customers from the Customer table with a common Master One Obligor Number creating a Master One Obligor grouping. * Exposure is the sum of Binding Exposure for each Customer in the Customer table within the Master One Obligor grouping. * Master One Obligor Number is obtained by joining the Customer table to the Customer Additional Fields table using their native keys and joining the Master Customer Number in the Customer Additional Fields table to the Master Customer Number in the Master One Obligor To Master Customer table. * Note, PFE is not currently included as the calibration of limits did not take PFE into consideration | | |

* 1. **Maximum Individual exposure with clients with rating < 5.0**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The total number of individual counterparties of lower credit quality (defined as internal risk rating of < 5.0) with exposure > $100MM  Exposure is defined as the sum of:   * + Committed facilities (drawn and undrawn)   + Drawn balances under uncommitted facilities   + Off balance sheet items (e.g. Letters of Credit)   + PFE[[5]](#footnote-5) (“REC”) for derivatives.   Exposures, including those in the Commercial Real Estate book, will be calculated at individual counterparty level and aggregated as required to ultimate parent (economic group) level. Exposures to non-recourse project finance will be treated as individual exposures and not aggregated to the sponsor. | | |
| **DIFFERENT FROM SHUSA** | SAME | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A |
| **TRIGGER AND LIMIT SETTING** | This metric has no amber trigger and a red limit of zero. | | |
| **TESTING FREQUENCY** | Monthly | | |
| **SOURCE OF INFORMATION** | The information is obtained from CCMIS.   * Counterparty is defined as all related customers from the Customer table with a common Master One Obligor Number creating a Master One Obligor grouping. * Exposure is the sum of Binding Exposure for each Customer in the Customer table within the Master One Obligor grouping. * Master One Obligor Number is obtained by joining the Customer table to the Customer Additional Fields table using their native keys and joining the Master Customer Number in the Customer Additional Fields table to the Master Customer Number in the Master One Obligor To Master Customer table. * Internal Risk Rating is the weighted average SRR of the Master One Obligor grouping. This is obtained by multiplying the SRR of each Master Customer in the Master Customer table by the sum of Binding Exposure from the Customer table for that Master Customer. The SRR is related to the Binding Exposure by joining the Customer table to the Customer Additional Fields table using their native keys and joining the Master Customer Number in the Customer Additional Fields table to the Master Customer Number in the Master Customer table. * This value is then aggregated to the Master One Obligor level by summing by Master One Obligor Number which can be obtained as previously described. * This aggregate value is then divided by the aggregate Binding Exposure of the Master One Obligor as previously defined * Note, PFE is not currently included as the calibration of limits did not take PFE into consideration | | |

* 1. **Max industry over Total Portfolio and Total portfolio excluding retail**

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| --- | --- | --- | --- |
| **DEFINITION** | The total dollar value exposure for all counterparties within one industry type, according to the OCC industry classification. Sectors / Industries are defined at the highest aggregation level for OCC industry codes[[6]](#footnote-6).  Exposure is defined as the sum of:   * + Committed facilities (drawn and undrawn)   + Drawn balances under uncommitted facilities   + Off balance sheet items (e.g. Letters of Credit)   + PFE[[7]](#footnote-7) (“REC”) for derivatives.   Exposures will be calculated at individual counterparty level and aggregated as required to ultimate parent (economic group) level. Exposures to non-recourse project finance will be treated as individual exposures and not aggregated to the sponsor. | | |
| **DIFFERENT FROM SHUSA** | This metric is calculated over Total portfolio of SBNA and total portfolio excluding Retail. | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A |
| **TRIGGER AND LIMIT SETTING** | The amber trigger and red limit for this metric are reviewed annually by the Board when setting the RAS. | | |
| **TESTING FREQUENCY** | Quarterly | | |
| **SOURCE OF INFORMATION** | The information is obtained from CCMIS.  Utilizing the Credit Metric Cube table Sum Binding Exposure by NAICSCode where:   * CRE\_CI\_Indicator = Non-CRE and (excludes Investment CRE) * Permanent Segment Rank <> 16 and (excludes Small Business Banking) * Customer Number does not begin with GL (excludes General Ledger adjusting entries) * Join NAICS Code in result to NAICS in OCC NAICS Groups reference table and sum by OCC Group * Note, PFE is not currently included as the calibration of limits did not take PFE into consideration | | |

* 1. **CRE**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The total dollar value of Commercial Real Estate exposure, excluding the exposure to Multifamily real estate over total portfolio and total portfolio excluding Retail.  Exposure is defined as the sum of:   * + Committed facilities (drawn and undrawn)   + Drawn balances under uncommitted facilities   + Off balance sheet items (e.g. Letters of Credit)   + PFE[[8]](#footnote-8) (“REC”) for derivatives.   Exposures will be calculated at individual counterparty level and aggregated as required to ultimate parent (economic group) level. | | |
| **DIFFERENT FROM SHUSA** | This metric is calculated over Total portfolio | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Credit Risk manager | SBNA Head of CRE | N/A |
| **TRIGGER AND LIMIT SETTING** | The amber trigger and red limit for this metric are reviewed annually by the Board when setting the RAS. | | |
| **TESTING FREQUENCY** | Quarterly | | |
| **SOURCE OF INFORMATION** | CRE is defined as all Investor/Developer Commercial Real Estate (CRE) exposure, excluding exposure classified as Multifamily property type.  In the CCMIS database, Investor/Developer CRE is defined the following way:   * Utilizing the Concentration Detail Expanded table Sum Binding Exposure where: * Segment = “CRE” or “SREC” or “CCRC” * Or, GL Category = “CRE” or “Multi” and Investor Classification <> “Owner Occupied RE”   and   * Retype <> Multifamily * Note, PFE is not currently included as the calibration of limits did not take PFE into consideration | | |

* 1. **Multifamily**

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| --- | --- | --- | --- |
| **DEFINITION** | The total dollar value of Multifamily real estate exposure over total portfolio and total portfolio excluding Retail.  Exposure is defined as the sum of:   * + Committed facilities (drawn and undrawn)   + Drawn balances under uncommitted facilities   + Off balance sheet items (e.g. Letters of Credit)   + PFE[[9]](#footnote-9) (“REC”) for derivatives.   Exposures will be calculated at individual counterparty level and aggregated as required to ultimate parent (economic group) level. | | |
| **DIFFERENT FROM SHUSA** | This metric is calculated over Total portfolio | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Credit Risk manager | SBNA Head of Business | N/A |
| **TRIGGER AND LIMIT SETTING** | The amber trigger and red limit for this metric are reviewed annually by the Board when setting the RAS. | | |
| **TESTING FREQUENCY** | Quarterly | | |
| **SOURCE OF INFORMATION** | Multifamily exposure is defined as any Investor/Developer Commercial Real Estate (CRE) exposure classified as Multifamily property type.  In the CCMIS database, Investor/Developer CRE is defined the following way:   * Utilizing the Concentration Detail Expanded table Sum Binding Exposure where: * Segment = “CRE” or “SREC” or “CCRC” * Or, GL Category = “CRE” or “Multi” and Investor Classification <> “Owner Occupied RE”   and   * Retype = Multifamily * Note, PFE is not currently included as the calibration of limits did not take PFE into consideration | | |

* 1. **SCUSA sub-prime assets over SHUSA Net Credit Exposure**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The concentration of sub-prime SC assets as a % of total SHUSA consolidated credit exposure | | |
| **DIFFERENT FROM SHUSA** | SAME | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | N/A | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Finance | N/A | SC Heads of Business |
| **TRIGGER AND LIMIT SETTING** | Due to the large sub-prime exposure at SC, SHUSA’s management chose to set a limit for the maximum amount of sub-prime exposure on the SHUSA balance sheet, as nearly all of SHUSA’s sub-prime exposure is in SC.   * The amber trigger of 23% establishes an early warning indicator that allows for management actions to control the sub-prime exposure growth; * A red limit of 25% was set by management as it aligns with Rating Agencies’ expectations and is benchmarked against competitors’ positions. | | |
| **TESTING FREQUENCY** | Monthly  The percentage of SC’s sub-prime assets to SHUSA’s total credit exposure:  Sub-prime assets are defined as having either a FICO score below 630 or no FICO score – excluding assets without a FICO score but classified as Commercial Fleet Retail and Chrysler Commercial Fleet Lease, Chrysler Lease, UBER Lease, wholesale and dealer lending and revolving facility – “Drive time”.  Total SHUSA Credit Exposure (excludes leases) is defined as the sum of:   * Committed facilities (drawn and undrawn) * Drawn balances under uncommitted facilities * Off balance sheet items (e.g. Letters of Credit) * PFE (“REC”) for derivatives. | | |
| **SOURCE OF INFORMATION** | SC Subprime exposure: Director of Liquidity Risk is responsible for production of metric. SC Subprime Asset details are collected from the Credit MIS team and then sent to SHUSA for completion of this metric.  SHUSA Total Exposure: SBNA uses the GL + Unfunded exposure in CCMIS to generate Total Exposure and from there we receive the figure from the Solvency team in an Excel file titled “SBNA Credit\_Template” on a monthly basis. SC exposure: The sum of Current Legal Balance Amount, Total Letter of Credit Issued Amount and Credit Availability Amount, In deals participated with other financial institutions, this amount is based on the Santander only portion of the deal sourced from SQLPrdDataWarehouse, table: Vw\_Loan\_Finance\_Month\_Fact | | |

* 1. **SCUSA RWAs/CET1 - 11% of CET1**

|  |  |  |  |
| --- | --- | --- | --- |
| **DEFINITION** | The total value of SC Risk Weighted Assets (RWA).  This metric is designed to link SC’s balance sheet size to capital via the CET1 ratio (Common Equity Tier 1). | | |
| **DIFFERENT FROM SHUSA** | SAME | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | No | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Finance | N/A | SC Director of Capital Management |
| **TRIGGER AND LIMIT SETTING** | * The trigger is set at $2BN less than the red limit (see below) as it equates to approximately 2 months of net originations by SC. This buffer was deemed sufficient by management to enable management actions should the forecast CET1 ratio not be aligned with a level of 11%. * The absolute $ limit will be set monthly, and will reflect the total RWAs that SC should have in the following month in order to meet a CET1 ratio of 11% based on the previous month’s closing CET1 levels. | | |
| **TESTING FREQUENCY** | Monthly  CET 1 (latest month close balance) = RWAs (next month balance)  11%  Calculation:  Risk-weighted assets before deductions for excess allowance of loan and lease losses and allocated transfer risk reserve less Excess allowance for loan and lease losses less Allocated transfer risk reserve  Risk Weights Applicable to SC: 0% Cash, 20% cash in collection, 100% loans/ intangibles, 150% exposures past 90 days or on nonaccrual | | |
| **SOURCE OF INFORMATION** | Director of Liquidity Risk is responsible for production of metric. External Reporting publishes the RWA in the regulatory file Schedule H-C Report. | | |

1. Qualitative elements
   1. **SHUSA - Frequency of material Operational events >$200k in potential losses**

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Number of operational risk events > $200K in losses, within a given quarter | | |
| **DIFFERENT FROM SHUSA** | SAME | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** |
| Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** |
| SHUSA Director of Operational Risk | SBNA Director of Operational Risk | SC Director of Operational Risk |
| **TRIGGER AND LIMIT SETTING** | The following calibration methodology is applied on an annual basis, and ensures that the amber trigger and red limit remain consistent with the levels defined (above) for gross losses/gross margin   * Based on the historical series of operational risk events with losses > $200K, the average loss associated with each event is calculated * This average value is compared to the Aggregated Gross Operational Risk Losses (amber and red $ values) used for the setting of the Gross Op. Losses / Gross Margin RAS metric (above) * This comparison determines the number of material risk events that could occur before SHUSA breaches the gross losses implied by the red and amber thresholds of the gross losses/gross margin metric for SHUSA   The number of events obtained above for the trigger and the limit are reviewed and a management adjustment may be applied for RAS purposes.  For SHUSA the calibration also takes into account the relative weight of the number of events at each entity as a total of the consolidated group, thus providing an additional anchor for the final determination of individual and consolidated RAS triggers and limits.  Operational Risk Event is defined as a singular event that may have one or more loss impacts.   * Events > $200K in Losses are defined as Operational Risk Events Reported in the Period with a Gross Operational Losses (excluding recoveries – direct or indirect, including legal settlements) greater than $200K. * Operational Risk Events that have one or more gross operational loss impacts greater than $200K that have been reported in a prior period will not be reported again in subsequent periods if the aggregated gross operational loss increases. * Prior period Operational Risk Events, with impacts less than $200K, that have additional operational risk loss impacts reported in the current period are only included if the aggregate gross loss is greater than $200K. | | |
| **TESTING FREQUENCY** | Quarterly.  No calculation necessary. Data extraction of Operational Risk Events with a Gross Operational Risk Loss Greater than $200K. | | |
| **SOURCE OF INFORMATION** | * Data provided by : Internal Loss Data Team * Source System : Internal Loss Database * Data Provided : Gross Operational Risk Loss Number   SC - The data is collected in Archer and reported from Archer. | | |

1. **SC. Structural Needs.** Loan portfolio, netted by the allowance for loan losses; Total amount of restricted cash; Lease balance; Other assets: other assets considered as structural are Goodwill, intangibles and Furniture and Fixtures. **SC. Structural Funding.** Warehouses: intragroup and third party warehouses; Outstanding Securitizations; Equity. **SBNA. Structural Needs.** Complete Loan portfolio (Retail and Commercial); investments that have been clearly identified as structural (stock for FHLB and FRB membership); Other assets: Allowance for Loan Losses, Real estate assets, Fixed assets and BOLI.**SBNA. Structural Funding.** DDA, Savings and Money Market Deposits ( Retail + SME); CDs and Jumbo CDs; Wholesale Borrowing identified as structural (FHLB Borrowings); Total amount of debt; Equity (Brokered Deposits are excluded). **SHUSA. Structural Needs.** SBNA Structural Needs + SC Structural Needs. **SHUSA. Structural Funding.** SHUSA Debt issuances; SBNA Structural Funding; SC Structural Funding. [↑](#footnote-ref-1)
2. October 2014: The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Federal Reserve Board), and the Federal Deposit Insurance Corporation (collectively, the agencies) issued a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision (BCBS). [↑](#footnote-ref-2)
3. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-3)
4. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-4)
5. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-5)
6. Specific limits are set for CRE and Multifamily which are based on internal definitions for CRE and Multifamily. Those exposures will also feed into the relevant OCC industry classification. [↑](#footnote-ref-6)
7. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-7)
8. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-8)
9. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-9)