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# **Risk Appetite Statement Proposal**

## **SHUSA Board of Directors**

June 30, 2016

Sponsor: Scott Powell, Chief Executive Officer SHUSA

Presenter: Brian Gunn, Chief Risk Officer SHUSA

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Date Created: June 2016

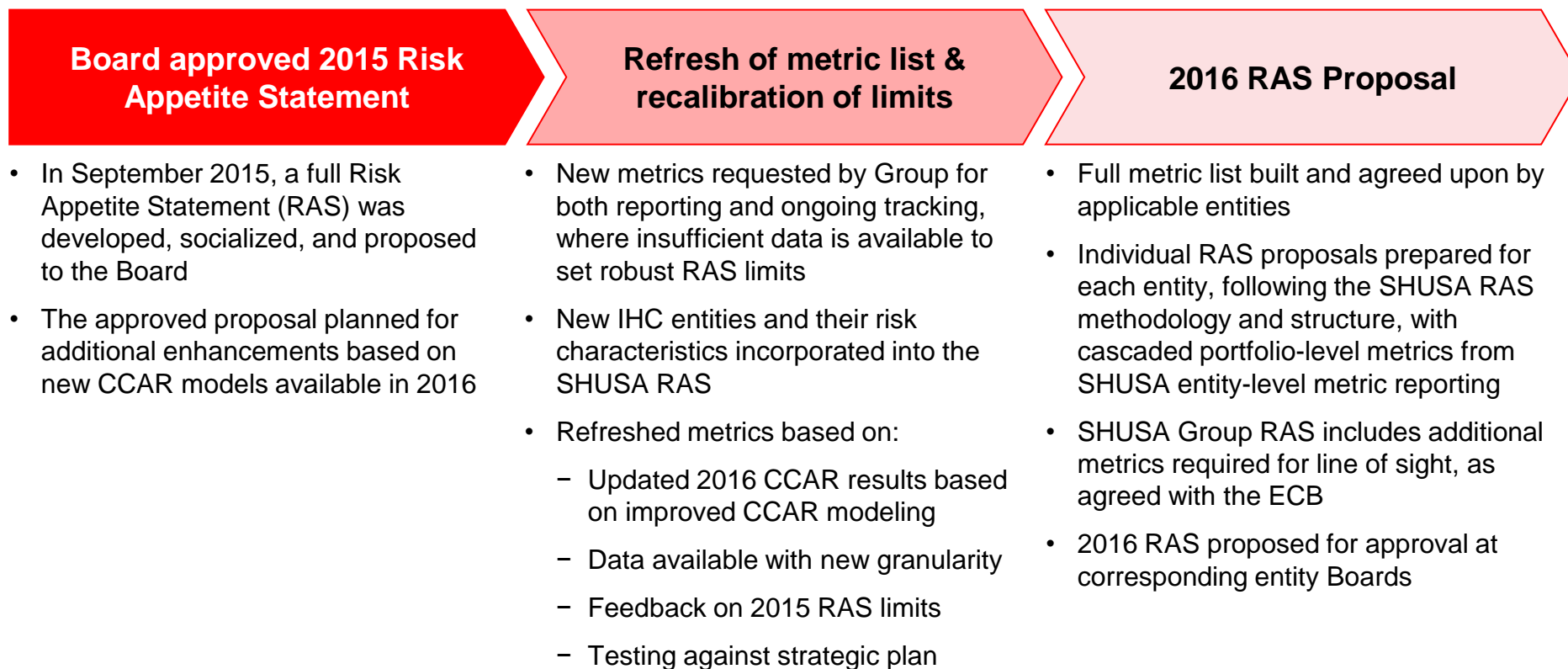
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# Table of Contents

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- 2016 refresh overview
- Progress on feedback from 2015 RAS
- Risk taxonomy: Applied metrics & calibration approaches
- Proposed 2016 RAS
- Appendix

# SHUSA Risk Appetite Statement – 2016 refresh overview



**Objective: review the 2016 RAS Proposal for final Board approval**

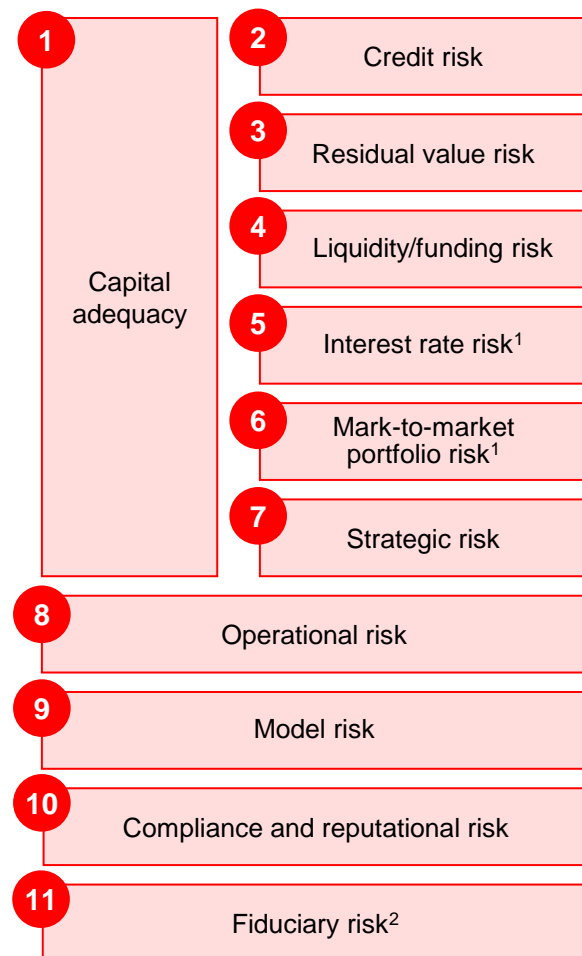
# Progress on feedback from 2015 RAS

Feedback on 2015 RAS	Changes incorporated in 2016	Ongoing improvements
<b>Strategic metrics</b> included in category did not all reflect strategic risks	<ul style="list-style-type: none"> <li>Assessed monthly against <b>qualitative statements</b> and implications of limit breaches across risk types for SHUSA's strategic plan</li> <li>2015 metrics re-categorized to new risk types</li> </ul>	Additional metrics under evaluation
<b>Compliance risk</b> and <b>Model risk</b> metrics insufficient for range of risks faced	<ul style="list-style-type: none"> <li>New metrics added at entity-level to capture <b>entity-specific risks</b></li> </ul>	Compliance, Model, and Operational metrics (including Fraud and Anti-Money Laundering) are insufficient. Proposed new metrics require further evaluation and improved data/tracking before formal inclusion in RAS
<b>Operational risk</b> metric limits set too high in comparison to industry peers, with insufficient visibility into risk drivers	<ul style="list-style-type: none"> <li>2015 limits <b>recalibrated conservatively</b></li> <li>New '<b>additional</b>' metrics (tracking only) created for specific event types</li> </ul>	
<b>Incorporation of new IHCs</b> and assessment of entity-specific risk profiles	<ul style="list-style-type: none"> <li><b>Entity-level RAS</b> developed for new IHCs</li> <li>Applicable metrics <b>rolled up into SHUSA</b> RAS metrics</li> </ul>	Increased entity-level autonomy of RAS expected for future refreshes
<b>New metrics</b> required to <ul style="list-style-type: none"> <li>Meet <b>Group requirements</b> from ECB</li> <li>Address concerns from 2015 <b>Board review</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Metrics added</b> for both SHUSA and entity-level RAS</li> <li>Expanded <b>sub-portfolio granularity</b> for entity-level metrics</li> </ul>	Tracking 'additional' metrics to understand behavior, available data quality, and appropriate limits

# Risk taxonomy and applied metrics

\* Reported in Santander Group RAS

## Risk taxonomy

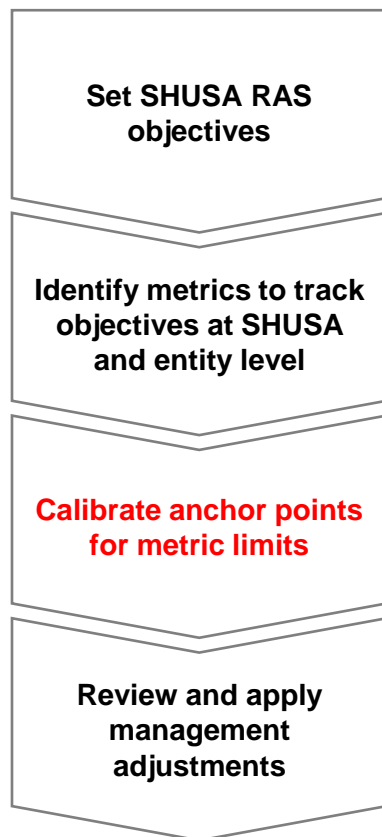


## Metrics in the SHUSA RAS

	No change	Updated limit	New metric or definition
1	• *SC Total RWA	• *Capital ratios • PPNR Impairment • *Loss in Stress	
2	• SC Subprime Assets as % SHUSA Exposure	• Total Credit Losses • Net Charge-off Rate • 60/61+ DPD	• *Total Subprime Assets as % SHUSA Exposure • *Concentration exposures
3	• Net Residual Risk / CRLIT		
4		• *Stressed Survival Period • *Liquidity Coverage Ratio Modified (US) • *Liquidity Coverage Ratio (EUR) • *Structural Funding Ratio	• *Asset Encumbrance • Liquidity Horizon - Wholesale Scenario (SHUSA parent only)
5		• *Net Interest Income Sensitivity (+/- 100bps)	• *Market Value of Equity Sensitivity (+/- 100bps)
6		• Mark-to-market Value at Risk (VAR)	
7	<i>Evaluated against all RAS metrics; 2015 metrics re-categorized to different risk types</i>		
8		• *Gross Op. Risk Losses / Gross Margin	• Material Op. Risk Events
9	• Legacy Tier 1 Models In Production w/o Appropriate Approval		
10	• Open MRIAs and other equivalent matters requiring immediate attention		
11	<i>Included in BSI Miami RAS only</i>		

# Risk taxonomy calibration approaches linked to risk objectives

## Limit calibration process



## Anchor calibration approaches

Anchor	Calibration approach	Applicable risk taxonomy
<b>Existing management limits</b>	Align anchor to other limits codified in policies or management practices to ensure consistency across the organization	<ul style="list-style-type: none"> <li>• Capital adequacy (ratios)</li> <li>• Compliance risk</li> <li>• Model risk</li> </ul>
<b>Model projections</b>	Set anchors based on outputs of CCAR and other business models, applying adjustments based on management review	<ul style="list-style-type: none"> <li>• Capital adequacy (other)</li> <li>• Credit risk (losses)</li> <li>• Residual value risk</li> </ul>
<b>Historical benchmarks</b>	Leverage management expertise, supported by comparison to internal and external data, where available	<ul style="list-style-type: none"> <li>• Credit risk (concentration) <sup>1</sup></li> <li>• Operational risk</li> <li>• Liquidity risk</li> <li>• Interest rate risk</li> <li>• Mark-to-market risk</li> </ul>

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# Proposed 2016 RAS

## 2016 RAS – Proposed metric limits (1/3)

Risk type	Ratio	Frequency	Mar 16	Baseline scenario			BHC Stress scenario		
				Base <sup>1</sup>	Amber trigger	Red limit	BHC Stress <sup>1</sup>	Amber trigger	Red limit
Capital adequacy (ratios)	*Common Equity Tier 1	Monthly	11.88%	12.24%	<=11.00%	<=10.25%	10.41%	<=7.30%	<=6.55%
	*Total Risk-based Capital	Monthly	15.32%	15.16%	<=14.25%	<=13.50%	14.37%	<=10.80%	<=10.05%
	*Tier 1 Leverage	Monthly	11.55%	11.45%	<=10.45%	<=10.00%	9.03%	<=6.80%	<=6.35%
	*Tier 1 Risk-based Capital	Monthly	13.43%	13.48%	<=12.50%	<=11.75%	11.30%	<=8.85%	<=8.10%

**Legend**   New metric or definition   \* Reported in Santander Group RAS   Updated limit from 2015 (see appendix for comparison)



# 2016 RAS – Proposed metric limits (2/3)

Capital Adequacy - Proposed limits (2023)						
Risk type	Metric	Frequency	Entity <sup>1</sup>	Mar	Apr	Red limit
Capital adequacy (other)	PPNR Impairment (CCAR 9Q)	Annual	SHUSA	\$4,913M	>=\$5,639M	>=\$5,861M
	*Loss in Stress	Annual	SHUSA	94%	>=100%	>=110%
	*SC Total RWA	Monthly	SC	\$38.9B (with PL <sup>2</sup> ) \$37.5B (exc. PL <sup>2</sup> )	Red - \$2BN [>=\$37.1B]	11% of CET1 [>=\$39.1B]
Credit risk (losses)	Total Credit Losses (CCAR 9Q)	Annual	SHUSA	\$11,052M	>=\$12,686M	>=\$13,186M
	Net Charge-off Rate	Monthly (trailing 12m)	SBNA	0.27%	>=0.5%	>=0.6%
			SC Auto	7.67%	>=9.3%	>=9.6%
			BSPR	1.35%	>=1.7%	>=1.9%
	60/61+ DPD Rate	Monthly (trailing 12m)	SBNA Retail	2.06%	>=2.84%	>=3.10%
			SC Auto	4.02%	>=5.1%	>=5.3%
			BSPR	4.09%	>=6.6%	>=7.1%
Credit risk (concentration)	*Single Obligor Exposure (Corporates & FIs)	Monthly	SBNA	\$500M	N/A	>\$500M
	*Top 20 Corporates Exposure	Monthly	SBNA	\$6.17B	>=\$7.0B	>=\$8.0B
	*Obligor Rating Exposure <sup>3</sup>	Monthly	SBNA	10	N/A	>0
	*Industry Exposure	Monthly	SBNA	\$4.8B	>=\$4.5B	>=\$5.0B
	Financial & Insurance Exposure	Monthly	SBNA	\$5.1B	>=\$5.5B	>=\$6.25B
	Utilities	Monthly	SBNA	\$4.8B	>=\$5.0B	>=\$5.5B
	*CRE Exposure	Monthly	SBNA	\$9.1B	>=\$10.1B	>=\$10.6B
	*Multifamily Exposure	Monthly	SBNA	\$10.5B	>=\$10.6B	>=\$11.1B
	*Project Finance Exposure	Monthly	SBNA	\$2.9B	>=\$3.75B	>=\$4.25B
	Public Sector Exposure	Monthly	BSPR	\$348M	>=\$436M	>=\$543M
	SC Subprime Assets <sup>4</sup> as % SHUSA Credit Exposure	Monthly	SC	20.0%(with PL <sup>2</sup> ) 19.1%(excl. PL <sup>2</sup> )	>=23%	>=25%
	*Total Subprime Assets <sup>4</sup> as % SHUSA Credit Exposure	Monthly	SHUSA	21.5%	>=23%	>=25%

\$36.8BN (w/ PL) &  
\$35.4BN (exc. PL)  
after restricted cash  
risk-weight change

**Legend** New metric or definition \* Reported in Santander Group RAS Updated limit from 2015 (see appendix for comparison)

See Metric Glossary in appendix for metric definitions

1. Portfolio level granularity available in Entity RAS materials

2. Abbreviation for Personal Lending – Lending Club (sold on Feb 1<sup>st</sup>), Bluestem & NCL (Held for Sale)

3. # of counterparties with Sant. Risk Rating < 5.0 & exposure > \$100M

4. Subprime is defined as FICO < 630 or no FICO score available (excluding Commercial Fleet s)

Source: SHUSA RAS March Monthly Report - April; BSPR RAS 2016 inventory of metrics

## 2016 RAS – Proposed metric limits (3/3)

Risk type	Metric	Frequency	Entity <sup>1</sup>	Mar 16	Amber trigger	Red limit
Residual value risk	Net Residual Risk / CRLIT <sup>3</sup>	Monthly	SC	2.26%	>=-3.0%	>=-5.0%
Liquidity/funding risk	*Stressed Survival Period (days)	Monthly	SHUSA	82 <sup>2</sup>	<=75	<=45
	*Liquidity Coverage Ratio – EUR	Monthly	SHUSA	156%	<=110%	<=100%
	*Liquidity Coverage Ratio Modified – US	Monthly	SHUSA	257%	<=110%	<=100%
	*Structural Funding Ratio (%)	Monthly	SHUSA	112%	<=103%	<=100%
	Liquidity Horizon - Wholesale Scenario	Monthly	SHUSA (Parent only)	>12 months	<=12 months	<=6 months
	*Asset Encumbrance (%)	Monthly	SHUSA	49%	>=55%	>=60%
Interest rate risk	*NII <sup>#</sup> Sensitivity(+/- 100bps)	Monthly	SHUSA	-1.84%	<=-4.5%	<=-5.5%
	*MVE <sup>#</sup> Sensitivity(+/- 100bps)	Monthly	SHUSA	-4.55%	<=-6.5%	<=-7.5%
MTM risk	Mark-to-Market Value at Risk (VaR)	Monthly	SHUSA	\$2.7M	>=\$7.0M	>=\$9.0M
Operational risk	*Gross Operational Risk Losses / Gross Margin	Quarterly (trailing 12m)	SHUSA	1.0%	>=1.5%	>=2.0%
	Material Operational Risk Events	Quarterly	SHUSA	12	>=9	>=11
Model risk	Legacy Tier 1 Models in Production w/o Appropriate Approval	Monthly	SHUSA	102	N/A	1Q2016 – 148 2Q2016 – 116 3Q2016 – 103 4Q2016 – 46 1Q2017 – 0
Compliance risk	Open MRIAs and other equivalent matters requiring immediate attention	Monthly	SHUSA	28 (MRIAs – 25) (OCC EAs – 3)	N/A	>0

Legend New metric or definition \* Reported in Santander Group RAS Updated limit from 2015 (see appendix for comparison)

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# Appendix

## Appendix contents

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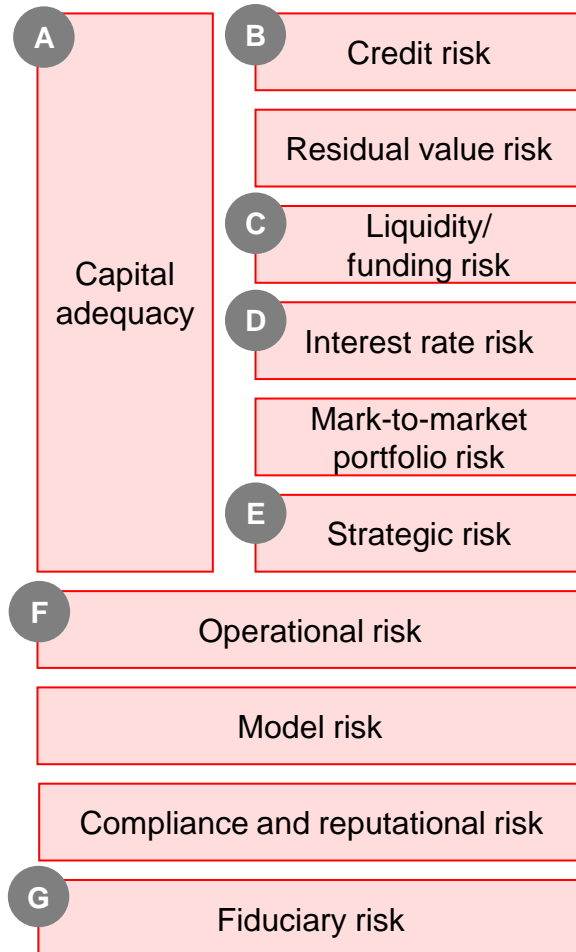
- A. Changes from 2015
- B. 2016 metrics by Entity RAS
- C. Qualitative statements
- D. CCAR-linked metric methodology
- E. Additional metrics
- F. Glossary

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# Appendix A – Changes from 2015

# 2016 RAS – Changes from 2015

## RAS risk taxonomy



Santander Holdings USA

## Metric specific changes

- A Capital adequacy limits** aligned to the 2016 Capital Policy
- B Credit risk** concentration metrics broken down by material portfolio
- C Liquidity/funding risk** metric added as requested by Group
- D Interest rate risk** metric aligned with Group definition
- E Strategic risk** includes qualitative statements only; 2015 metrics have been re-categorized to other risk types
- F Operational risk** metrics refreshed based on analysis of historical data and shifted conservatively in line with supervisory feedback
- G Fiduciary risk** metrics added for BSI Miami

## 2016 RAS – Changes compared to 2015 RAS limits (1/2)

Risk type	Metric	Justification	Frequency	Mar 16	Amber trigger		Red limits	
					2016	2015	2016	2015
Capital adequacy	Common Equity Tier 1	Aligned with 2016 Capital Policy	Monthly	11.88%	<=11.00%	<=11.00%	<=10.25%	<=10.50%
	Total Risk-based Capital			15.32%	<=14.25%	<=14.50%	<=13.50%	<=14.00%
	Tier 1 Leverage			11.55%	<=10.45%	<=10.25%	<=10.00%	<=9.75%
	Tier 1 Risk-based Capital			13.43%	<=12.50%	<=12.50%	<=11.75%	<=12.00%
	PPNR Impairment	Changes from CCAR 2015 affecting <b>CCAR-linked</b> metrics: <ul style="list-style-type: none"> <li>Updated CCAR projections and capital policy for 2016</li> <li>Increased macro-economic sensitivity and granularity of CCAR models</li> </ul>	Annual	\$4,913M	>=\$5,651M	>=\$3,825M	>=\$5,876M	>=\$4,100M

## 2016 RAS – Changes compared to 2015 RAS limits (2/2)

Risk type	Metric	Justification	Frequency	Mar 16	Amber trigger		Red limits	
					2016	2015	2016	2015
Liquidity/ funding risk	Stressed Survival Period (days)	90-day used as a KRI (key risk indicator), requiring adjustment to existing limits	Monthly	82	<=75	<=90	<=45	<=60
	Liquidity Coverage Ratio (EUR & US)	Set using the regulatory minimums (100%) plus a buffer per management judgment, and verified against historical trends	Monthly	156% (EUR) 257% (US Mod)	<=110%	<=140%	<=100%	<=125%
	Structural Funding Ratio			112%	<=103%	<=105%	<=100%	<=100%
Interest rate risk	NII Sensitivity(+/- 100bps)	Group request to use percentages; limits tested against historical trends.	Monthly	-1.84%	<=-4.5% [≈\$(271)M]	<= \$(120)M	<=-5.5% [≈\$(332)M]	<= \$(140)M
Mark-to-market portfolio risk	Mark-to-Market Value at Risk (VaR)	2015 limits were significantly higher than historical values; updated to exclude SC	Monthly	\$2.7M	>=\$7.0M	>=\$24.4M	>=\$9.0M	>=\$28.0M
Operational risk	Gross Operational Risk Losses/Gross Margin	Metric results and supervisory feedback suggested last year's limits were too high compared to industry standard; new limits set conservatively against historical performance	Quarterly	1.0%	>=1.5%	>=3.0%	>=2.0%	>=5.0%



## 2016 RAS – New metrics and revised definitions

Risk type	Metric	Granularity	Justification
<b>Credit risk (Concentration)</b>	Financial & Insurance Exposure	SBNA	Growth above existing general industry exposure limits requires a separate limit
	Single Obligor (Corporates & FIs)	SBNA	Financial Institutions added for assessment of Single Obligor metric using the same limit as Corporates (requested by Group)
	Project Finance Exposure	SBNA	Group requirement
	Public Sector Exposure	BSPR	Group requirement
	Total Subprime Assets as % SHUSA Credit Exposure	SHUSA	Previously SC only, included BSPR and SBNA in 2016
<b>Liquidity / funding risk</b>	Asset Encumbrance (%)	SHUSA	Group requirement
	Liquidity Horizon - Wholesale Scenario	SHUSA (Parent only)	Requested by Market Risk team
<b>Interest rate risk</b>	MVE Sensitivity(+/- 100bps)	SHUSA	Reduced the shock from +/- 200bps to +/- 100bps as per Group request in order to simplify comparison to peers
<b>Operational risk</b>	Gross Operational Risk Losses / Gross Margin	SHUSA	Measurement moved to 12 months trailing (vs 3) to better capture ORM trends over time rather than volatile spikes
	Material Operational Risk Events	SHUSA	Aligned with new SHUSA material event impact thresholds; Includes non financially impacting material events (i.e. customer, regulatory, reputational)

## Metrics to be removed

Risk type	Metric	Granularity	Rationale for removal
Capital adequacy	Tangible Common Equity Ratio	SBNA SC	Removed from Capital Policy
Credit risk (losses)	Total credit losses	SBNA portfolios	Replaced with SBNA entity-level metric
	Net Charge-off Rate	SBNA portfolios	
	60/61+ DPD	SC Unsecured SC Unsecured	SC Unsecured RAS monitoring replaced with qualitative statement (sale of portfolio to occur by 2016Q3)
Residual value risk	Residual Value Deterioration	SC	Applicable to SC only; annual measurement provides little value for ongoing reporting
Compliance & reputational risk	Serviced for Others Monthly Net Charge-off Rate	SC	Detailed compliance metrics tracked at entity level with breaches escalated to SHUSA Board
	CFPB Complaints	SBNA	
	# of OCC Enforcement Actions	SBNA	

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# Appendix B – 2016 metrics by Entity RAS

# Metrics by Entity RAS (1/4)

Category	Metric	Group	SHUSA	SBNA	SC	SSLLC	BSPR	BSI MIAMI	SIS
Capital adequacy	Common Equity Tier 1 Ratio	✓	✓	✓	✓	✗	✓	✓	✗
	Tier 1 Risk-based Capital Ratio	✓	✓	✓	✓	✗	✓	✓	✗
	Total Capital Ratio	✓	✓	✓	✓	✗	✓	✓	✗
	Tier 1 Leverage Ratio	✓	✓	✓	✓	✗	✓	✓	✓
	Tangible Common Equity Ratio	✗	✗	✗	✓	✗	✗	✗	✗
	Impairment to Pre-Provision Net Revenue (PPNR)	✗	✓	✓	✓	✓	✓	✓	✓
	Loss in Stress	✓	✓	✗	✗	✗	✗	✗	✗
	SC Total Risk Weighted Assets (RWAs)	✓	✓	✗	✓	✗	✗	✗	✗
	Excess Net Capital	✗	✗	✗	✗	✓	✗	✗	✓
Credit risk (losses)	Total Credit Losses	✗	+	✓	✓	✗	✓	✗	✗
	Net Charge-off Rate (NCO)	✗	+	+	+	✗	+	✗	✗
	60/61+ DPD	✗	+	+ <sup>1</sup>	+ <sup>1</sup>	✗	+	✗	✗
Credit risk (concentration)	Single Obligor (Corp. and IFIs) Exposure	✓	+ <sup>2</sup>	✓	✗	✗	✓	✗	✗
	Top 20 Corporates Exposure	✓	+	✓	✗	✗	✓	✗	✗
	Obligor Rating Exposure	✓	+ <sup>2</sup>	✓	✗	✗	✓	✗	✗
	Industry Exposure (by OCC Group)	✓	+ <sup>2</sup>	✓	✗	✗	✓	✗	✗
	CRE Exposure	✓	+ <sup>2</sup>	✓	✗	✗	✓	✗	✗
	Project Finance Exposure	✓	+ <sup>2</sup>	✓	✗	✗	✗	✗	✗
	Multifamily Exposure	✓	+ <sup>2</sup>	✓	✗	✗	✗	✗	✗
	Public Sector Exposure	✗	+ <sup>3</sup>	✗	✗	✗	✓	✗	✗
	Subprime Assets as % SHUSA Credit Exposure	✓	+	✗	✓	✗	✗	✗	✗

✓ - consolidated  
+ - unconsolidated  
✗ - not included

Santander Holdings USA

- 60/61+ DPD includes only Retail for SBNA, and only SC Auto for SC
- SHUSA Single Obligor, Obligor Rating, Industry, CRE, Project Finance and Multi-family Exposure include only SBNA
- SHUSA Public Sector Exposure includes only BSPR
- SHUSA Net Residual Risk / CRLIT includes only SC
- CRLIT: Contract Residual less Incentives & Tax



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# Metrics by Entity RAS (2/4)

Category	Metric	Group	SHUSA	SBNA	SC	SSLLC	BSPR	BSI MIAMI	SIS
Residual value risk	Residual Value Deterioration	x	x	x	✓	x	x	x	x
	Net Residual Risk / CRLIT <sup>1</sup>	x	+	x	✓	x	x	x	x
Liquidity/ funding risk	Stressed Survival Period (days)	✓	✓	✓	x	x	✓	✓	✓
	Liquidity Coverage Ratio (US & EUR)	✓	✓	✓	x	x	✓	✓	x
	Structural Funding Ratio	✓	✓	✓	x	x	✓	✓	x
	Asset Encumbrance	✓	✓	✓	x	x	x	x	x
	Liquidity Horizon - Wholesale Scenario (Parent Only)	x	✓	x	x	x	x	x	x
	Available Committed Liquidity SC (months)	✓	x	x	✓	x	x	x	x
	Loan to Deposit Ratio	x	x	✓	x	x	x	x	x
Interest rate risk	ALM NII (+/-100bps)	✓	✓	✓	✓	x	✓	✓	x
	ALM MVE (+/-100bps)	✓	✓	✓	✓	x	✓	✓	x
Mark-to-market portfolio risk	Mark-to-Market Value at Risk (VaR)	x	✓	✓	x	x	x	x	✓
Operational risk	Gross Operational Risk Losses/Gross Margin	✓	✓	✓	✓	✓	✓	✓	✓
	Material Operational Risk Events	x	✓	✓	✓	✓	✓	✓	✓
Model risk	Legacy Tier 1 Models in Prod. w/o Appropriate Approval	x	✓	✓	✓	x	✓	✓	✓
Compliance & reputational risk	Open MRIAs and other equivalent matters requiring immediate attention	x	✓	✓	✓	✓	✓	✓	✓
	CFPB Complaints	x	x	✓	x	x	x	x	x
	SC Services for Others Monthly Net Charge-off Rate	x	x	x	✓	x	x	x	x
	MRIA Missed Milestones	x	x	x	✓	x	x	x	x
	High Risk Customers as % of Total Customers	x	x	✓	x	✓	x	✓	x

✓ - consolidated  
+ - unconsolidated  
x - not included

1. CRLIT: Contract Residual less Incentives & Tax; SHUSA Net Residual Risk / CRLIT includes only SC

# Metrics by Entity RAS (3/4)

Category	Metric	Group	SHUSA	SBNA	SC	SSLLC	BSPR	BSI MIAMI	SIS
BSI MIAMI									
Credit Risk	Secured Lending Model Exceptions (%)	x	x	x	x	x	x	✓	x
	Portfolio Loan to Value (excluding Cash) (%)	x	x	x	x	x	x	✓	x
	Max Individual Obligor: Regulatory Exposure over T1 Capital	x	x	x	x	x	x	✓	x
	Max Top 10 Obligors: Regulatory exposure over T1 Capital	x	x	x	x	x	x	✓	x
	Non-investment Grade Collateral / Pledged Assets (%)	x	x	x	x	x	x	✓	x
Compliance & reputational risk	KYC Updates overdue > 90 days	x	x	x	x	x	x	✓	x
	Total customer complaints received from regulatory agencies and government officials	x	x	x	x	x	x	✓	x
	Past due regulatory monitoring CAPs	x	x	x	x	x	x	✓	x
	Violation of Code of Conduct and Ethics	x	x	x	x	x	x	✓	x
	AML Alerts Pending > 60 days	x	x	x	x	x	x	✓	x
	Politically exposed persons as % of total customers	x	x	x	x	x	x	✓	x
	OFAC blocked or rejected transactions	x	x	x	x	x	x	✓	x
	OFAC violations	x	x	x	x	x	x	✓	x
Fiduciary Risk	Clients with Missing Profiles (%)	x	x	x	x	x	x	✓	x
	Exceeded Client Investment Profiles(%)	x	x	x	x	x	x	✓	x
	Pending Purchase Order Documentation (%)	x	x	x	x	x	x	✓	x
	Discretionary Mandates: Aging of Excesses (days)	x	x	x	x	x	x	✓	x
	Regulation R Bank-wide “chiefly-compensated” test	x	x	x	x	x	x	✓	x
SSLLC									
Compliance & reputational risk	Total New Monthly Arbitrations and Court Proceedings	x	x	x	x	✓	x	x	x
	Total Number of Sales Practice Complaints (monthly)	x	x	x	x	✓	x	x	x

✓ - consolidated  
 + - unconsolidated  
 x - not included

## Metrics by Entity RAS (4/4)

Category	Metric	Group	SHUSA	SBNA	SC	SLLC	BSPR	BSI MIAMI	SIS
SIS									
Capital adequacy	Cost to Revenue Ratio	x	x	x	x	x	x	x	✓
Credit risk	Highest One Day Amount of Total Non-DVP	x	x	x	x	x	x	x	✓
Liquidity/ funding risk	Excess Margin Coverage for Customer Account	x	x	x	x	x	x	x	✓
	Excess Margin Coverage for House Account	x	x	x	x	x	x	x	✓
Operational risk	Peak amount of failed trades (% of core equity)	x	x	x	x	x	x	x	✓

✓ - consolidated  
+ - unconsolidated  
x - not included

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# Additional Metrics by Entity

Category	Metric	SHUSA	SBNA	SC	SSLLC	BSPR	BSI MIAMI	SIS	Why 'additional' metric?
Capital adequacy	Max Deterioration in CET1 from Base to Stress Case	✓	✗	✗	✗	✗	✗	✗	Non-material and/ or agreed by Group for inclusion as 'additional'
	Jump to Default Top 5 over CET1	+	✓	✗	✗	✗	✗	✗	
	GCB Concentration Risk	✓	✗	✗	✗	✗	✗	✗	
	Loss Impact on Trading Portfolio	✓	✗	✗	✗	✗	✗	✗	
	Impact on CVA <sup>1</sup> Stress	✓	✗	✗	✗	✗	✗	✗	
Operational risk	Operational Risk Stressed Losses	✓	✗	✗	✗	✗	✗	✗	

✓ - consolidated  
 + - unconsolidated  
 ✗ - not included



# Additional Metrics by Entity

Category	Metric	SHUSA	SBNA	SC	SSLLC	BSPR	BSI MIAMI	SIS	Why 'additional' metric?
Recovery & Resolution Monitoring	Cost of Credit	+	✓	✓	×	✓	×	×	Calibration not linked to CCAR. Under evaluation
	NPL Entries (VMG)	+	✓	✓	×	✓	×	×	
	NPL Coverage Ratio (%)	+	✓	✓	×	✓	×	×	
Credit risk (Concentration)	Large Exposures	+	✓	×	×	×	×	×	Not material enough to merit inclusion
	Top 20 – Financial institutions	+	✓	×	×	×	×	×	
	Individual– Financial institutions	+	✓	×	×	×	×	×	
Operational risk	Relevant OR Events R1 (number)	+	✓	✓	✓	✓	✓	✓	Metrics under evaluation
	Credit Card \$ Fraud Ratio	+	✓	×	×	✓	×	×	
	Credit Card # Fraud Ratio	+	✓	×	×	✓	×	×	
	Debit Card \$ Fraud Ratio	+	✓	×	×	✓	×	×	
	Debit Card # Fraud Ratio	+	✓	×	×	✓	×	×	
	Online banking fraud	+	✓	×	×	✓	×	×	Limited data availability and quality
	IT relevant incidents	+	✓	✓	✓	✓	✓	✓	
	% IT systems availability	+	✓	✓	×	✓	✓	✓	
	% Servers with obsolete operating systems	+	✓	✓	×	✓	✓	✓	
	Ethical hacking vulnerabilities	+	✓	✓	×	✓	✓	✓	
	Servers with security compliant operating systems	+	✓	✓	×	✓	✓	✓	

✓ - consolidated  
+ - unconsolidated  
× - not included

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# Appendix C – Qualitative statements

## 2016 Qualitative statements (1/3)

Risk type	Qualitative statement
<b>Capital adequacy</b>	SHUSA will hold sufficient capital to act as a source of strength for its Entities, to satisfy current and future regulatory and internal capital requirements, to ensure continuous access to capital markets and to withstand the impact of potential losses in an economic downturn.
<b>Credit risk</b>	<p>SHUSA is willing to take credit risks that it understands and that fall within its risk appetite.</p> <p>SHUSA will focus on lending products for which in-house knowledge and skills exist from a risk perspective and on which credit risk can be measured and managed.</p> <p>SHUSA will monitor and manage portfolio quality and concentrations, including borrower and collateral quality, portfolio diversification across product, industry, geography, collateral type, and client segment.</p> <p>SHUSA will carefully monitor and manage the size of its subprime portfolio.</p> <p>SHUSA will ensure that the volume of realized and projected loan losses under both baseline and stress does not threaten its capital position and its ability to meet its regulatory requirements.</p>
<b>Residual Value risk</b>	SHUSA will ensure that losses from residual value risk due to adverse market movements impacting the value of vehicles or from the mispricing of vehicle leases do not threaten its Entities' capital strength under baseline or stress.
<b>Interest Rate risk</b>	<p>SHUSA will conservatively manage its Interest Rate Risk exposures, setting a maximum for the sensitivity of the net interest income and market value of equity to interest rates.</p> <p>To minimize its exposure to Interest Rate Risk, SHUSA will hedge via instruments that it understands.</p> <p>SHUSA will not participate in proprietary trading and will always maintain a low trading risk profile.</p> <p>The risk appetite should be calibrated in terms of both risk to economic value and risk to earnings.</p> <p>Measurement of IRRBB should be based on outcomes for both economic value and earnings arising from a wide and appropriate range of interest rate shock scenarios that result in changes to interest rates across the term structure.</p>

## 2016 Qualitative statements (2/3)

Risk type	Qualitative statement
<b>Liquidity / Funding risk</b>	SHUSA will establish a minimum level in which to manage liquidity and will retain a strong capability to fund based on stress test results and regulatory standards
	SHUSA will guarantee a control over the buffer and healthy level of high liquid assets
	SHUSA will oversee compliance of regulatory standards and corporate definitions for Liquidity Risk Management
	SHUSA will raise observations and challenge the liquidity stress test exercise when is appropriate
	SHUSA will ensure that, together with its Entities, it holds sufficient High Quality Liquid Assets and has an effective Contingency Funding Plan to withstand liquidity shortfalls in a severe stress scenario.
	SHUSA will diversify its funding sources and minimize its dependence on capital markets.
<b>Mark-to-Market Portfolio risk</b>	SHUSA and its Entities will only participate in trading for purposes of client facilitation and will maintain a low risk profile on all fair value activities to protect against losses due to adverse market movements.
<b>Strategic risk</b>	SHUSA strives to deliver consistent performance through pragmatic risk-taking. SHUSA will not place an undue amount of earnings or capital at risk for an entity of its size, complexity, and risk profile in any stress scenario.
	SHUSA will ensure that adequate governance and oversight processes and controls are in place for all business activities, products, and services.
	SHUSA's strategic planning process will both consider and work with the risk appetite setting, capital planning, and recovery and resolution planning processes.
<b>Operational risk</b>	SHUSA has a risk-averse approach to operational risk but recognizes that it is inherent in all products, activities, processes and systems and must be adequately managed to meet business objectives.
	SHUSA is committed to implementing practices and controls that will minimize losses incurred from inadequate or failed internal processes, people, and systems or from external events.

## 2016 Qualitative statements (3/3)

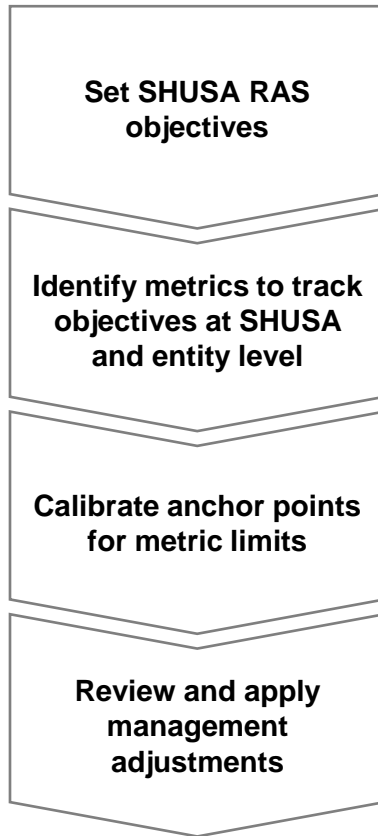
Risk type	Qualitative statement
Model risk	SHUSA will enforce model monitoring standards in line with industry practices and regulatory requirements.
	SHUSA will allocate more resources to those models with the highest risk level (Tier 1).
	SHUSA will ensure no new models are used or put into production without the appropriate approval.
Compliance & Reputational risk	SHUSA aims to comply fully with the letter and spirit of all applicable laws and regulatory standards that apply to its operations and it will ensure the timely remediation of any regulatory finding.
	SHUSA will treat its customers fairly, abide by consumer protection laws and regulations and will not pursue any business or maintain any practices that may damage its reputation with customers, employees, or other stakeholders.
	SHUSA will not knowingly conduct business with individuals or entities it believes to be engaged in inappropriate behavior, money laundering, terrorist financing, corruption or other illicit financial activities.
	SHUSA expects that its employees will act with the highest ethical standards at all times.

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# Appendix D – CCAR-linked metric methodology

# Credit metrics linked to CCAR objective

## RAS development process Example for credit loss metrics



- Methodology for calibrating limits for credit losses, NCOs, and delinquency rates starts with SHUSA's CCAR RAS objective to "ensure post-loss capital ratios in CCAR analysis are at or above limits"
- SHUSA must quantitatively pass CCAR; it must have **sufficient capital plus earnings to withstand elevated losses**
- Current capital position and credit portfolio composition provide a ceiling for stress losses, which serve as an anchor point for risk appetite limits
- **For credit losses**, CCAR projections and historical analyses can be used to create internally consistent limits:
  - CCAR base vs stress expected credit losses
  - Historical relationship between net losses and delinquency rates
- Analysis described above serves as an "anchor point" for limit setting in a way that ensures internal consistency of limits
- Input from Senior Executives and other experts is essential for finalizing limits, in order to reflect the strategic vision and true risk appetite of SHUSA's leadership

## Calibration approach for CCAR-linked metric anchor points

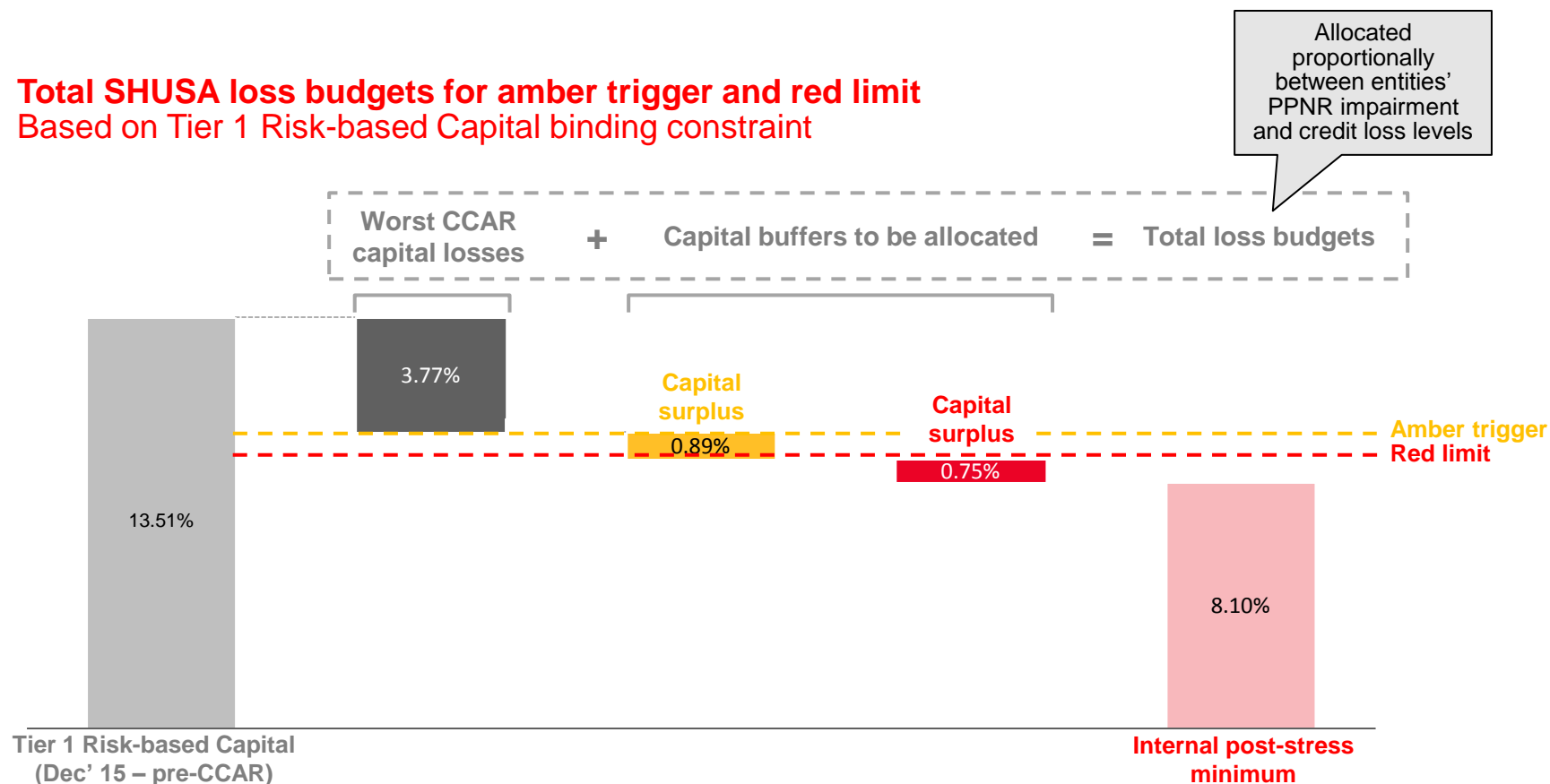
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- |          |   |  |
|----------|---|--|
| <b>1</b> | <b>Identify the binding constraint in BHC Stress</b>              | Compare SHUSA and entity minimum capital ratios from 2016 Capital Policy to final 2016 CCAR ratios in BHC Stress to identify smallest 'buffer' available for additional capital loss |
| <hr/>    |   |  |
| <b>2</b> | <b>Calculate CCAR stress loss limit</b>                           | Add capital buffer proportionally to total BHC Stress losses to determine total loss limits for each portfolio   |
| <hr/>    |   |  |
| <b>3</b> | <b>Determine net Charge-off (NCO) limits based on loss limits</b> | Translate total Stress loss limit to an annual NCO rate and scale to baseline levels using model base to stress relativity   |
| <hr/>    |   |  |
| <b>4</b> | <b>Derive delinquency rate linked to NCOs</b>                     | Relate NCO and delinquency rates using historical or projected relationships and apply to NCO limits to derive 60+DPD limits   |



# Total loss budgets anchored on CCAR 2016 capital ratios

## Total SHUSA loss budgets for amber trigger and red limit Based on Tier 1 Risk-based Capital binding constraint



## Methodology

- SHUSA capital buffer allocated proportionally to each entity/portfolio based on total 9Q CCAR BHC Stress losses
- Allocation compared to entity-level buffers to identify additional constraints, reducing buffer allocation to capital constrained entities and redistributing this portion of the budget to the other entities

## Pre vs. Post change in IHC contribution and capital actions

### Change in planned capital actions under BHC Stress

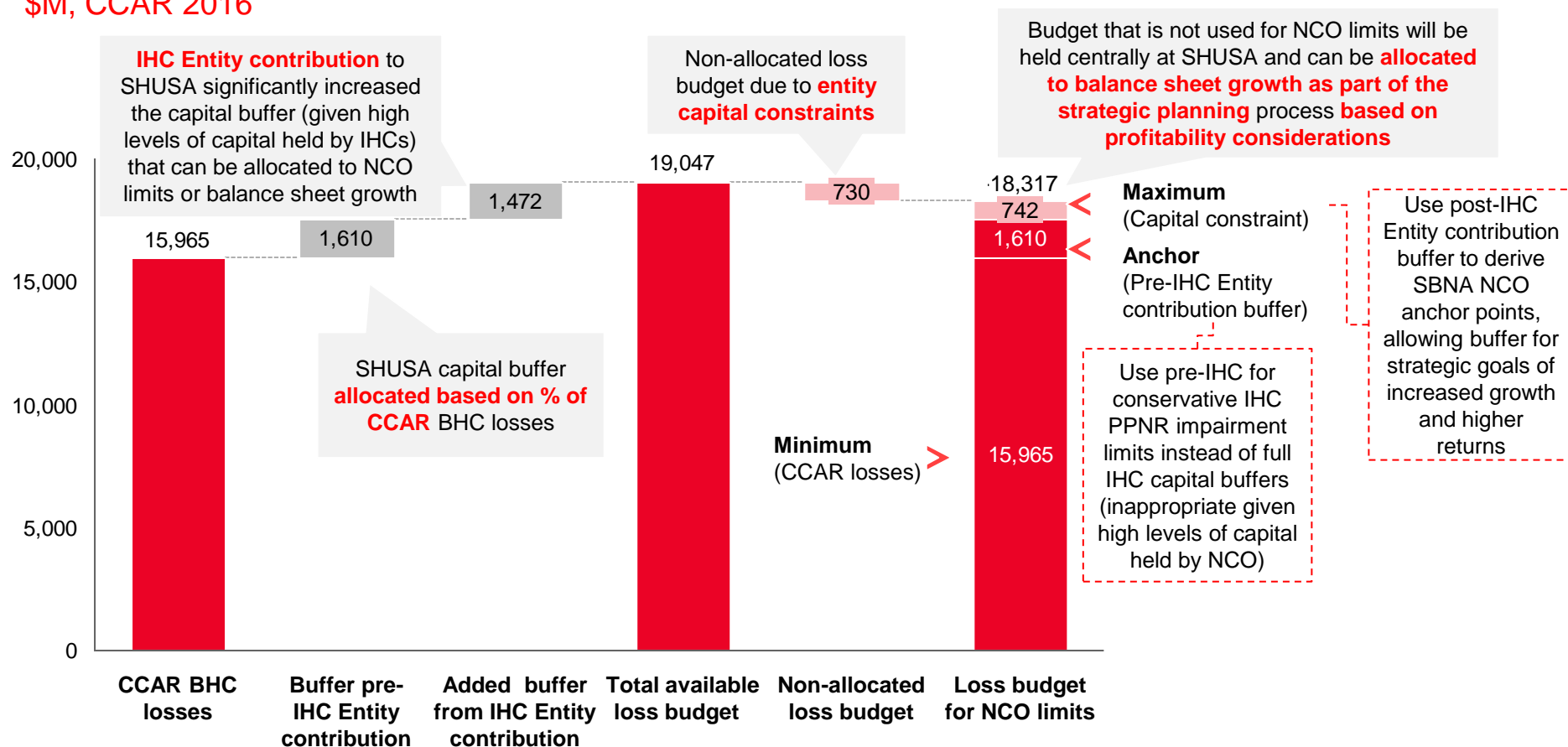
- Initial planned capital actions were based on the contribution of IHCs using preferred shares
- Adjusted contribution creates additional capital buffer at SHUSA given the structure of the transaction
- The resulting BHC Stress capital levels are artificially higher, creating a capital pool that SHUSA should not entirely allocate for credit losses and PPNR impairment
- Additional capital buffer can be used strategically for portfolio growth to drive towards strategic plan

### CCAR capital ratios pre vs post change in IHC treatment

Scenario	Common Equity Tier 1	Tier 1 Risk-based Capital	Total Risk-based Capital	Tier 1 Leverage
BHC Stress: Initial planned capital actions	8.21%	9.74%	13.85%	7.76%
<b>BHC Stress: Alternative capital actions</b>	<b>10.41%</b>	<b>11.30%</b>	<b>14.37%</b>	<b>9.03%</b>
<b>Increase from capital change</b>	<b>+2.20%</b>	<b>+1.56%</b>	<b>+0.58%</b>	<b>+1.27%</b>

# Allocation of additional post-IHC capital buffer

## SHUSA loss budget – BHC Stress Red limit \$M, CCAR 2016



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# Appendix E – Additional metrics

## Additional metrics required for Group reporting only (1/3)

Risk type	Metric	Frequency	Portfolio	Mar 16	Additional metric threshold
Capital adequacy	Max deterioration in CET1 from base case to stressed case	Annual	SHUSA	-150 bps	-370 bps
	Jump to Default Top 5 over CET1	Annual	SHUSA	-120 bps	-150 bps
	Loss impact on trading portfolio	Quarterly	SHUSA	1.05%	5%
	Impact of CVA stress	Annual	SHUSA	-\$3.2M	TBD
	GCB Concentration Risk	Quarterly	SHUSA	\$128M	TBD
	Op Risk stressed losses	Annual	SHUSA	31.6%	35%
	Worst forecasted CET1 fully loaded ratio under normal conditions	Annual	SHUSA	12.24%	10.25%
	Worst forecasted CET1 fully loaded ratio under stressed conditions	Annual	SHUSA	10.41%	6.55%
	Worst forecasted Tier 1 Leverage fully loaded ratio under normal conditions	Annual	SHUSA	11.45%	10.00%
	Worst forecasted Tier 1 Leverage fully loaded ratio under stressed conditions	Annual	SHUSA	9.03%	6.35%

## Additional metrics required for Group reporting only (2/3)

Risk type	Metric	Frequency	Portfolio	Mar 16	Additional metric threshold
Credit risk (losses)	Cost of Credit	Quarterly	SBNA	0.38%	$\geq 0.5\%$
			SC	10.06%	$\geq 11\%$
	NPL Entries (VMG)	Quarterly	SBNA	0.19%	$\geq 0.25\%$
			SC	-0.4%	$\geq 0.6\%$
	NPL Coverage Ratio (%)	Quarterly	SBNA	91%	$\leq 80\%$
			SC	398%	$\leq 250\%$
Credit risk (concentration)	Top 20 Financial Institutions exposure	Quarterly	SBNA	8.9%	$> 7.0\%$
	Large exposures	Quarterly	SBNA	26.4%	N/A

## Additional metrics required for Group reporting only (3/3)

Risk type	Metric	Frequency	Portfolio	Mar 16	Additional metric threshold
Operational risk	Relevant OR Events R1 (number)	Quarterly	SBNA	TBD	TBD
			SC	0	TBD
	Credit Card \$ Fraud Ratio	Quarterly	SBNA	0.25%	TBD
	Debit Card \$ Fraud Ratio	Quarterly	SBNA	0.07%	TBD
	Credit Card # Fraud Ratio	Quarterly	SBNA	TBD	TBD
	Debit Card # Fraud Ratio	Quarterly	SBNA	TBD	TBD
	Online Banking Fraud	Quarterly	SBNA	0	TBD
	IT Relevant Incidents	Quarterly	SBNA	0	TBD
			SC	0	TBD
	IT Systems Availability (%)	Quarterly	SBNA	N/A	TBD
			SC	100%	TBD
	Systems with Obsolete Operating Systems (%)	Quarterly	SBNA	20%	TBD
			SC	N/A	TBD
	Ethical Hacking Vulnerabilities	Quarterly	SBNA	0	TBD
			SC	3	TBD
	Servers with Security Compliant Operating Systems	Quarterly	SBNA	97%	TBD
			SC	N/A	TBD

## Operational Risk review and plan for 'additional' metrics (1/2)

Metric	Entity	Comment
<b>Relevant OR events R1</b>	All entities	This metric suggests a high ratio will alert you to common problems across the entity but it could be the result of a small denominator of loss events. SHUSA OR will evaluate this metric vs. absolute number of material events >\$1M by 7/31.
<b>Credit Card \$ Fraud Ratio</b>	SBNA & BSPR	OR and Fraud Risk to confirm potential for RAS metric. By 7/31, review data quality and, if remediation plan needed, establish plan and timeline for completion.
<b>Debit Card \$ Fraud Ratio</b>	SBNA & BSPR	OR and Fraud Risk to confirm potential for RAS metric. By 7/31, review data quality and, if remediation plan needed, establish plan and timeline for completion.
<b>Credit Card # Fraud Ratio</b>	SBNA & BSPR	OR and Fraud Risk to confirm potential for RAS metric. By 7/31, review data quality/availability and, if remediation plan needed, establish plan and timeline for completion.
<b>Debit Card # Fraud Ratio</b>	SBNA & BSPR	OR and Fraud Risk to confirm potential for RAS metric. By 7/31, review data quality/availability and, if remediation plan needed, establish plan and timeline for completion.
<b>Online Banking Fraud</b>	All entities	Only applicable in SBNA and BSPR with immaterial fraud cases. Seven cases over last 10 months with an average of 705K users. OR to confirm with CBB and Fraud Risk whether they agree with exclusion rationale. Any next steps to be determined by 7/31.
<b>IT Relevant Incidents</b>	All entities	OR believes this is a good metric. However, there is a data quality concern. By 7/31, OR and T&O to assess ability to remediate data quality issues and, if plan needed, establish plan and timeline for completion.
<b>IT Systems Availability (%)</b>	All entities	OR believes this is a good metric. However, there is a data quality concern. By 7/31, OR and T&O to assess ability to remediate data quality issues and, if plan needed, establish plan and timeline for completion.



## Operational Risk review and plan for 'additional' metrics (2/2)

Metric	Entity	Comment
<b>Systems with Obsolete Operating Systems (%)</b>	All entities	Considered to be a good metric. However, there is a data quality concern. By 7/31, OR and T&O to assess ability to remediate data quality issues and, if plan needed, establish plan and timeline for completion.
<b>Ethical Hacking Vulnerabilities</b>	All entities	Considered to be a good metric. However, the program is immature and not comprehensive enough to generate robust and reliable data that would represent an accurate depiction of the environment. OR to confirm potential as a RAS metric. By 7/31, OR and T&O to assess testing program status and path to maturity, including remediation plan if needed.
<b>Servers with Security Complaint Operating Systems</b>	All entities	Needs to be clearly defined and researched. OR to perform initial assessment by 7/31, and develop action plan, if needed.

### All metrics

- Historical data for calculations are being reviewed for quality and consistency and will inform an updated calibration of the thresholds
- All Operational Risk 'additional' metrics require improvements to definitions, data, and monitoring systems. Over 2016, operational definitions will be clarified, and project plans to improve data and monitoring will be developed. These plans will be settled over the next quarter. As updates are made, 'additional' metrics will be adjusted to further align the SHUSA Risk Appetite Statement

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# Appendix F – Glossary

## Acronym Glossary

<b>AuM</b>	Assets under Management	<b>N/A</b>	Not Applicable
<b>BHC</b>	Bank Holding Company	<b>NCO</b>	Net Charge Off
<b>C&amp;I</b>	Commercial & Industrial	<b>NPL</b>	Non-performing Loan
<b>CCAR</b>	Comprehensive Capital Analysis and Review	<b>P&amp;L</b>	Profit and Loss
<b>CRLIT</b>	Contract Residual less Incentives & Tax	<b>PBT</b>	Profit before Tax
<b>CRO</b>	Chief Risk Officer	<b>PCA</b>	Prompt Corrective Action
<b>CVA</b>	Credit Value Adjustment	<b>PPNR</b>	Pre-Provision Net Revenue
<b>DPD</b>	Days Past Due	<b>RWA</b>	Risk Weighted Assets
<b>ERMC</b>	Executive Risk Management Committee	<b>SDART</b>	Santander Drive Auto Receivables Trust
<b>FRB / Fed</b>	Federal Reserve Bank	<b>TBD</b>	To be defined
<b>GBM</b>	Global Banking and Markets	<b>14As</b>	CCAR output report
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process	<b>424B3</b>	SDART regulatory filing report
<b>LCR</b>	Liquidity Coverage Ratio	<b>9Q</b>	9 Quarters

## Metrics Glossary (1/7)

Risk type	Metric	Definition
Capital adequacy	Common Equity Tier 1 (CET1) Ratio	The minimum ratio of CET1 to Total Risk-Weighted Assets (RWAs) required under BHC Baseline and Stressed conditions
	Excess Net Capital	As per SEC regulations, every broker-dealer must, at all times, have, and maintain, net capital no less than the required amount by the SEC for the broker-dealer. The excess is simply the amount above the minimum required. The excess amount is necessary for the broker-dealer to operate in several businesses
	GCB Concentration Risk	Concentration losses arising from a probability of 1 in 40 years economic scenario
	Impact of CVA stress	Stress on Credit Value Adjustments (CVAs) by counterparty with a 60% LGD
	Impairment to Pre-Provision Net Revenue (PPNR)	The projected 9Q cumulative increase in PPNR impairment between the CCAR BHC Stress and BHC Baseline scenarios and any available capital surplus under the CCAR BHC Stress scenario
	Jump to Default Top 5 over CET1	Impact on CET1 ratio of a scenario with simultaneous default by the five main GCB counterparties and LGD of 45%
	Loan to Deposit Ratio	Measures the level of loans funded by total deposits to ensure that a minimum amount of the loan portfolio is funded by the deposits of the Bank. Equal to Total Loans over Total Deposits
	Loss impact on trading portfolio	Impact of 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. The trading activity represents the SBNA client facilitation portfolio.
	Loss in Stress	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
	Max deterioration in CET1 from base case to stressed case	Maximum deterioration on projected CET1 (using BHC Stress) from base case to stressed case
	SC Total Risk Weighted Assets (RWA)	The total value of SC Risk Weighted Assets (RWA)
	Tangible Common Equity (TCE) Ratio	The minimum ratio of TCE to Total Tangible Assets under Baseline and Stressed conditions
	Tier 1 Leverage (T1L) Ratio	The minimum ratio of T1L to Adjusted Average Assets under Baseline and Stressed conditions

## Metrics Glossary (2/7)

Risk type	Metric	Definition
Capital adequacy	Total Risk-based Capital (TRBC) Ratio	The minimum ratio of TRBC to Total Risk-Weighted Assets (RWAs) under Baseline and Stressed conditions
	Tier 1 Risk-based Capital (T1RBC) Ratio	The minimum ratio of T1RBC to Total Risk-Weighted Assets (RWAs) under Baseline and Stressed conditions
Credit risk (losses)	60/61+ DPD Rate	The percentage of total outstanding balances 60+ / 61+ days delinquent. SBNA and BSPR track delinquencies at 60+ days; SC tracks delinquency at 61+ days
	Cost of Credit	Net credit provisions incurred on a trailing 12 month basis as a percentage of the trailing 12 month average loan portfolio
	Highest One Day Amount of Total Non-DVP	Highest One Day Amount of Total Non-DVP relating to clients settling in one day
	Net Charge-off Rate	12-month trailing net charge-offs (NCOs) as a percentage of 12-month trailing average outstanding balances
	NPL Coverage ratio (%)	Measures the level of coverage of non-performing loans (NPLs) by ALLL reserves by calculating ALLL as a percentage of nonaccrual loans
	NPL Entries (VMG)	Measures the credit quality of the portfolio by calculating the volume of net non-performing loans (NPLs) entries net of charge-offs as a percentage of average credit exposure of the portfolio
	Secured Lending Model Exceptions (%)	Loss Given Default of Total Value of Exceptions (the total amount of credit exposure that can be approved as an exception, i.e. that has an LTV higher than the approved LTV on the assets pledged as collateral calculated by the Secured Lending Model)/Common Tier 1 Equity
	Total Credit Losses	9Q stressed cumulative credit losses and any available capital surplus under the CCAR BHC Stress scenario
Credit risk (concentration)	CRE Exposure	The total dollar value of Commercial Real Estate exposure, excluding the exposure to Multifamily real estate
	Financial & Insurance Exposure	The total dollar value exposure for all counterparties within Financial and Insurance industries
	Individual Obligor Exposure	Maximum regulatory Exposure over Tier 1 Capital for a single borrower, where regulatory exposure = gross credit exposure – qualified assets (cash + US treasuries)

## Metrics Glossary (3/7)

Risk type	Metric	Definition
<b>Credit risk (concentration)</b>	Industry Exposure (by OCC Group)	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
	Non-investment Grade Collateral / Pledged Assets (%)	Non Investment Grade pledged assets with lending values / Total Pledged Assets
	GCB Concentration	Weight on the Bank's equity of the aggregate exposure with customers and counterparties rated as "large exposures" (excludes public sector exposures)
	Multifamily Exposure	The total dollar value of Multifamily real estate exposure
	Obligor Rating Exposure	The total number of individual counterparties of lower credit quality (defined as internal risk rating of < 5.0, 4.5 for BSPR) with exposure > \$100M (\$10M for BSPR)
	Portfolio LTV (excluding Cash) (%)	Compares the total credit exposure with the market value of the pledged assets excluding cash, on an ongoing basis
	Project Finance Exposure	Measures the maximum exposure with specialized lending portfolios relative to CET1 plus ACL
	Public Sector Exposure	The total dollar value of Public Sector exposure
	Single Obligor (Corp. and FIs) Exposure	The dollar value of total exposure to any individual customer (or aggregated to guarantor) in Financial Institutions, Insurers, Global Corporate Banking, Middle Market, Auto or Specialty Lending
	Top 10 Obligors Exposure	Sum of the Top 10 borrowers' Regulatory Exposure over Tier 1 Capital, where regulatory exposure = gross credit exposure – qualified assets (cash + US treasuries)
	Top 20 Financial Institutions Exposure	The sum of the value of total exposure to any individual customer (or aggregated to guarantor) of a Financial Institution (excludes mortgage clearing houses) relative to equity, defined as CET1 plus ACL
	Top 20 Corporates Exposure	The sum of the dollar value of total exposure to any individual customer (or aggregated to guarantor) in Global Corporate Banking, Middle Market, Auto or Specialty Lending
	Total Subprime Assets as % SHUSA Credit Exposure	The concentration of sub-prime assets as a % of total SHUSA consolidated credit exposure

## Metrics Glossary (4/7)

Risk type	Metric	Definition
<b>Residual value risk</b>	Residual Value Deterioration	The projected 9Q cumulative increase in Leased Vehicle Expense between the CCAR BHC Stress and BHC Baseline scenarios and any available capital surplus under the CCAR BHC Stress scenario
	Net Residual Risk / CRLIT	The implied profit or loss in the residual value of all leased vehicles at the point in time of calculation – the difference between the Forecasted Residual Value (3-month smoothed average) and the Contract Residual less Incentives & Tax (CRLIT) as a proportion of total CRLIT
<b>Liquidity / funding risk</b>	Asset Encumbrance (%)	Assets encumbered by guarantees contributed in mid- and long-term financing operations in order to finance balance sheet commercial activity (covered bonds, securitizations and TLTRO) as a percentage of total assets
	Available Committed Liquidity SC (months)	A measurement of the committed liquidity available to SC against projected net originations
	Excess Margin Coverage for Customer Account	Excess Margin Coverage for Customer Account (Total Cash + Treasury Bills-Margin Requirement at CME)
	Excess Margin Coverage for House Account	Excess Margin Coverage for House Account(Total Cash + Treasury Bills-Margin Requirement at CME)
	Liquidity Coverage Ratio (%)	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
	Liquidity Horizon - Wholesale Scenario (SHUSA PO)	The Liquidity Horizon is designed to measure the amount of days remaining until the bank will have a cash shortfall and only considers wholesale term funding, cash, and unencumbered securities. The metric does not consider Core Deposits or Loans. The basic objective of this metric is to measure the amount of liquidity that would ensure survival horizon equal to of a minimum number of days in a wholesale scenario with no funding renewal and no additional sources of funding. The RAS metric only considers SHUSA (Parent Only).

## Metrics Glossary (5/7)

Risk type	Metric	Definition
<b>Liquidity / funding risk</b>	Stressed Survival Period (days)	The amount of days remaining until SHUSA and its subsidiaries will have a cash shortfall under stressed conditions
	Structural funding ratio (%)	The percentage of structural assets that are funded with medium and long term liabilities
	Net Interest Income (NII) Sensitivity (+/- 100bps)	A measurement of the directional sensitivity of earnings at risk (NII) due to the repricing interaction of the existing assets and liabilities over time resulting from a particular yield curve shift
	Market Value of Equity (MVE) Sensitivity (+/- 100bps)	A measurement of the directional sensitivity of the market value of equity (MVE) due to the repricing interaction of the existing assets and liabilities over time resulting from a particular yield curve shift. MVE measures the difference between the current fair value of an asset and the current fair value of liabilities; it serves as a proxy to the market value of SHUSA's balance sheet
<b>Mark-to-market portfolio risk</b>	MTM Value at Risk (VaR)	The MTM VaR metric covers the market risk in all material trading portfolios
<b>Operational risk</b>	Credit/Debit Card # Fraud Ratio	The total number of credit/ debit card fraud cases as a percent of the total number of active credit/ debit cards
	Credit/Debit Card \$ Fraud Ratio	The total amount (\$) of credit/ debit card fraud as a percent of the total amount (\$) of credit/ debit card sales
	Ethical Hacking Vulnerabilities	The number of high-risk vulnerabilities detected in the tests conducted by the Ethical Hacking service that have not been corrected for more than three months
	Material Operational Risk Events	Aligned with new SHUSA material event impact thresholds; Includes non financially impacting material events (i.e. customer, regulatory, reputational)
	Gross operational risk losses / gross margin	Gross operational risk losses as a percentage of gross margin within the same period
	IT Relevant Incidents	The number of infrastructure and software incidents classified as P1 and P2 in the month
	IT Systems Availability (%)	The availability of critical systems during the month
	Online Banking Fraud	The number of fraud cases in Online Banking as a percentage of the total users of Online Banking



## Metrics Glossary (6/7)

Risk type	Metric	Definition
Operational risk	Peak amount of failed trades (% of core equity)	Peak amount during the month for failed trades to total core-equity capital (value of failed trades divided by total core-equity capital)
	Relevant OR events R1 (number)	Measures the concentration of significant events on a trailing 12 month basis; proportion of events exceeding extreme losses (as defined by SHUSA) to events exceeding significant losses (as defined by SHUSA)
	SC confirmed fraud (%)	SC confirmed fraud (\$) as a percentage of total loan originations (\$)
	Servers with Security Compliant Operating Systems	Number of operating systems that are compliant with the security policy
	Systems with Obsolete Operating Systems (%)	The percentage of servers currently working with obsolete operating systems
Model risk	Legacy Tier 1 Models in Production w/o Appropriate Approval	The number of legacy Tier 1 models used in production without appropriate approvals
Compliance & reputational risk	# of OCC Enforcement Actions	OCC enforcement actions include Cease & Desist Orders, Civil Money Penalty Order, Notices Filed, Prompt Corrective Action Directives, and Securities Enforcement Actions
	Federal Regulator Complaints (CFPB, OCC, FRB, etc.)	The CFPB, along with other federal regulators, provides consumers the ability to share their complaints with financial companies. CFPB provides access to all complaint data on its website. Consumer complaints include bank account, credit card, credit reporting, debt collection, money transfer, and mortgage complaints
	High Risk Customers as % of Total New Customers	The number of customers classified as “high risk” (based on internal policies) as a percentage of the total number of new customers
	Open MRIs and other equivalent matters requiring immediate attention	The total number of open MRIs issued by the Federal Reserve to all Santander entities operating in the US and over which the FRB has jurisdiction or other equivalent regulatory matters requiring immediate attention
	KYC Updates overdue > 90 days	Percent of total clients pending for Know Your Customer (KYC) updates for more than 90 days
	Serviced for Others Monthly Net Charge-off Rate	Average monthly net charge-off rate for 12 trailing months for the SC serviced portfolios that management deems to exposure SC to reputational risk
	MRIA Missed Milestones	The number of missed milestones in resolving MRIA

## Metrics Glossary (7/7)

Risk type	Metric	Definition
Compliance & reputational risk	Total customer complaints received	Total customer complaints received from regulatory agencies and government officials as a rolling 12-month cumulative number of complaints
	Total New Monthly Arbitrations and Court Proceedings	the number of arbitrations (FINRA) and legal proceedings SSLC has been named in during the preceding month.
	Total Number of Sales Practice Complaints (Monthly)	The number of written complaints received by SSLC during the preceding month related to the conduct of a Financial Consultant or the Firm which involved the offer, sale or purchase of a security or insurance product to a customer.
	Politically Exposed Person Clients (% Total)	Percent of total clients who are Politically Exposed Persons (PEP)
	AML Transaction Monitoring alerts >60 days	Pending AML alerts awaiting clarification for more than 60 days
	OFAC blocked or rejected transactions	The total number of OFAC blocked or rejected transactions experienced in the latest rolling quarter
	OFAC Violations	The total number of OFAC violations received in the latest rolling quarter
	Past Due Compliance Monitoring CAPs	Correction Action Plans identified through the internal regulatory monitoring process and agreed by Management that are past their due date
	Violations of Code of Conduct and Ethics	Employees who has a conduct that is identified as a violation in the Bank's Code of Conduct and Ethic policy
Fiduciary risk	Clients with missing profiles (%)	Proportion of clients with old or missing profiles relative to total clients with securities in portfolios
	Discretionary mandates: Aging of Excesses (days)	Aging of exceeded asset-type concentrations – composed of equity and emerging markets (EM) concentrations – within discretionary mandates (investment decisions made by BSI on behalf of clients)
	Exceeded client investment profiles(%)	Proportion of clients (of total clients) with investment profiles exceeding agreed-upon level of risk based on the two limits that are part of the investment profile signed by the client: Level of Equivalent Risk (REQ) and Emerging Markets concentrations
	Pending Purchase Order Documentation (%)	Purchase investment orders (POs) pending client signatures as a percentage of total POs on a trailing 18 month basis
	Regulation R Bank-wide “chiefly-compensated” test	Monitoring of the level of the “chiefly compensated” test to ensure it remains above the 70 percent threshold of the exception set by Regulation R.