Santander Holdings USA

(SHUSA)

RISK APPETITE STATEMENT

Table of Contents

1. Introduction

1.1 Purpose of the document

The Santander Holdings USA, Inc. ("SHUSA") Risk Appetite Statement ("RAS") defines the types and, where appropriate, level of risk the Board of SHUSA is willing and able to accept in pursuit of its strategic objectives.

The RAS is a tool to help the Board monitor and control the key risks that SHUSA is exposed to, either directly through its activities or indirectly through the activities of its Legal Entities ("Entities"). The RAS, through a set of qualitative statements and quantitative limits that describe the level of risk that is acceptable to the enterprise, articulates the way in which SHUSA expects risk to be managed and controlled. Key risk limits quantify acceptable risk management boundaries where possible. Risk Appetite is consistent with, and incorporated into, the capital, strategic and resolution plans as part of the enterprise wide risk management program.

The RAS is articulated by the Chief Risk Officer ("CRO") in consultation with the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). It is proposed by the CEO to the Executive Risk Committee ("ERC"), the Risk Committee ("RC") and the Board.

The RAS must be read in conjunction with the SHUSA Risk Appetite Framework document (reviewed and approved by the ERMC) which sets forth the governance, core principles, and key requirements for developing and approving the SHUSA RAS and those of its Entities.

1.2 Scope

This RAS applies to SHUSA and includes metrics and limits set either at the consolidated Entity level or at the level of its Entities.

1.3 Document approval and maintenance

The RAS document is owned by the CRO and is approved by the SHUSA Board of Directors.

The RAS is reviewed and approved by the Board at least annually or when material changes occur to SHUSA's risk profile, strategy, or operating environment, to ensure that it remains applicable to SHUSA's strategy and current and planned activities. Ad hoc RAS reviews can be performed at the discretion of the Board, CEO, or CRO. The RC, ERC and the ERMC may also initiate updates to the RAS in response to changing conditions. In any case, changes or updates must be approved by the Board.

2. The SHUSA Risk Appetite Principles and Objectives

SHUSA's RAS is underpinned by the principle that, as a holding company, SHUSA seeks to maintain a moderate risk profile, generate sustainable earnings, maintain strong capital levels and actively manage liquidity to remain solvent at all times, including through adverse or severe stress situations.

SHUSA and its Entities will take the risks required to maintain and grow their businesses, but only if the risks are well understood and can be managed and controlled.

Within these principles, the RAS at SHUSA is further anchored in specific objectives for risk-taking. The boundaries established in SHUSA's RAS are defined such that they allow SHUSA to achieve the following primary objectives:

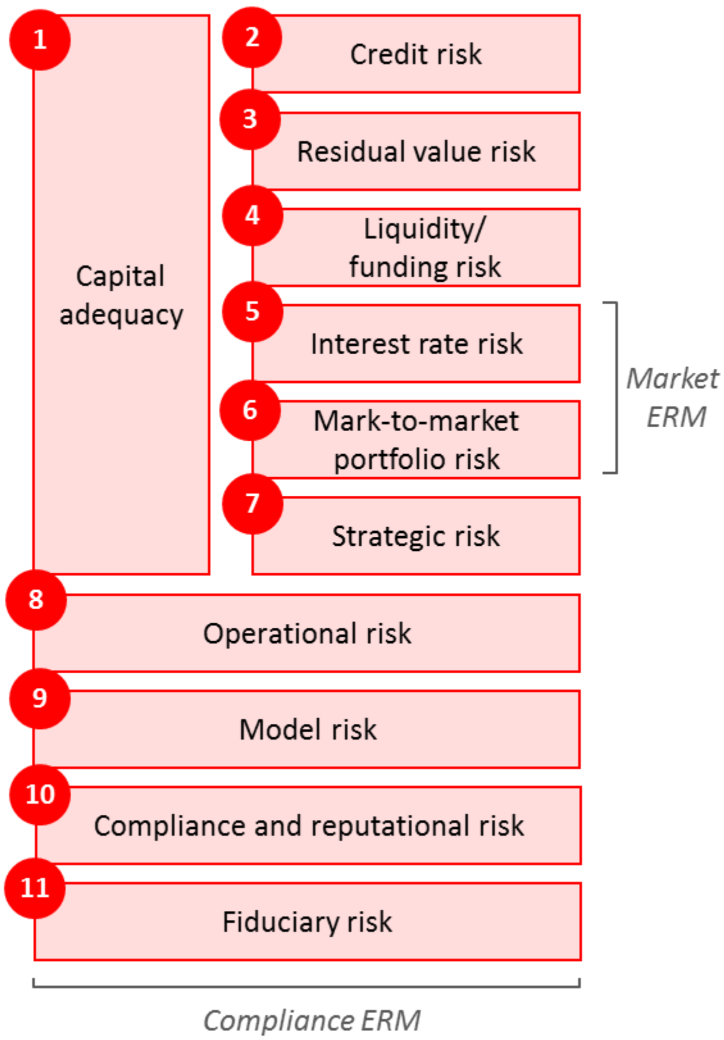
- Limits in SHUSA's RAS are designed to ensure that SHUSA meets regulatory constraints as an autonomous legal entity. The Risk Appetite is set to ensure (i) SHUSA's post-loss capital ratios in CCAR analysis are at or above internally-defined limits and (ii) SHUSA's cash flow profile keeps its Liquidity Coverage Ratio (LCR) at or above limits.
- SHUSA's Risk Appetite boundaries are defined to ensure that SHUSA's balance sheet, earnings and business profile (e.g., asset quality, liquidity, and concentrations) are consistent with stakeholder expectations for prudent risk management.
- SHUSA's RAS establishes Board-level expectations for processes and controls in place for non-financial risks (e.g., no tolerance for use of non-validated models, risk-averse approach to operational, conduct and regulatory risk).
- SHUSA's RAS complies with Santander S.A.'s (or "Group") consolidated risk appetite by including metrics that adhere to Group RAS principles, as applicable to SHUSA's business.
- SHUSA and its Entities will not pursue certain business, relationships, or industry sectors that do not align with its core values and strategic objectives or are prohibited by law. Other specific business, relationship, and industry restrictions are defined in relevant risk management policies.
- SHUSA seeks to balance the quantity of identified inherent risks with adequate controls to ensure that all risks are appropriately managed within the appetites set forth in this RAS. New or emerging risk exposures identified at SHUSA and its Entities through Strategic Planning, the New Product and Business Activity process, the Material Risk Program, or any other change management process including the acquisition or divestment of businesses or portfolios will undergo a risk appetite review, and any risk types that are not already monitored in the RAS may require the addition of metrics and limits.

The Board of SHUSA is committed to establishing and maintaining a risk management culture that combines business strategy with prudent risk-taking, transparency, and ethical business practices. This includes fair and transparent business practices and a zero-appetite approach to willful noncompliance with all applicable laws, rules, and regulations. SHUSA's remuneration and incentive programs support the wider risk management and risk appetite objectives.

3. The SHUSA Risk Taxonomy

The SHUSA RAS establishes qualitative statements, metrics, and thresholds for the key risk types that are included in the SHUSA Enterprise Risk Management (ERM) Framework.

SHUSA has defined its RAS in order to manage and control its financial risk profile and to minimize control-related risks. Financial risks include capital adequacy, credit risk, residual value risk, liquidity / funding risk, interest rate risk, mark-to-market portfolio risk, and strategic risk. Control-related risks include operational risk, model risk, compliance and reputational risk (including fiduciary risk). The SHUSA Risk Appetite Taxonomy is shown below:

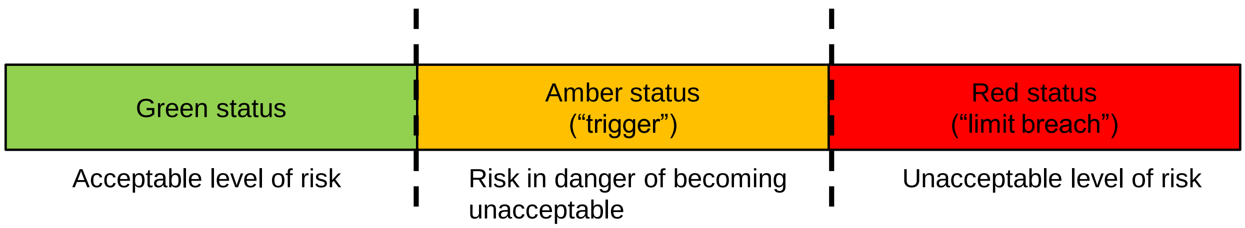


4. Qualitative Statements and Quantitative Metrics by Risk Category

The RAS is organized by risk category and comprises qualitative statements and quantitative metrics.

The qualitative statements articulate SHUSA's approach towards managing a given risk. The quantitative metrics set specific limits for defined risk metrics associated with the risk category. Together, these statements and limits express SHUSA's appetite to risk exposure. These statements and metrics are found on the following pages[1].

Each quantitative metric is assigned one of three status categories – green, amber, or red – based on performance against risk appetite limits.



Each limit and metric is owned by one or more front line executives that has day-to-day risk management and control responsibilities. Metrics with green status are within a range that SHUSA is willing to accept. Amber and red statuses, classified as "triggers" and "limit breaches" respectively, indicate that the risk level is in danger of exceeding (amber) or has exceeded (red) the amount of risk acceptable to SHUSA. Both triggers and limit breaches prompt an escalation and remediation process within SHUSA and its Entities[2].

Stressed appetite limits are set for select, market-driven risk types (namely capital adequacy, credit, liquidity, and market risk) whose exposure levels are directly affected by macroeconomic or idiosyncratic factors. Stressed appetite limits can be tested against current performance either through monthly metric calculations (e.g., market risk, liquidity risk, and certain credit risk metrics) or during SHUSA's regularly scheduled stress tests.

[1] The SHUSA Risk Appetite Metrics Glossary document details each quantitative metric, its owner, the calculation process, source data and frequency of reporting.

[2] The Monitoring and Escalation Process document describes in detail limit monitoring and breach escalation procedures.

Additionally this RAS provides authority to establish limits or metrics for specific risk types or subtypes that are not explicitly addressed by the metrics defined below.

1. Capital Adequacy

1st Line of Defense Owner: SHUSA Chief Financial Officer
2nd Line of Defense Risk Management unit: SHUSA Chief Risk Officer

QUALITATIVE STATEMENTS

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.

QUANTITATIVE METRICS

SHUSA RISK APPETITE METRICS	AMBER TRIGGER	RED LIMIT	LIMIT TYPE
Baseline – SHUSA Consolidated			
Common Equity Tier 1 Ratio	**<=11.00%**	**<=10.25%**	**Floor**
Tier 1 Risk-based Capital Ratio	**<=14.25%**	**<=13.50%**	**Floor**
Total Capital Ratio	**<=10.45%**	**<=10.00%**	**Floor**
Tier 1 Leverage Ratio	**<=12.50%**	**<=11.75%**	**Floor**
Stress – SHUSA Consolidated			
Common Equity Tier 1 Ratio	**<=7.30%**	**<=6.55%**	**Floor**
Tier 1 Risk-based Capital Ratio	**<=10.80%**	**<=10.05%**	**Floor**
Total Capital Ratio	**<=6.80%**	**<=6.35%**	**Floor**
Tier 1 Leverage Ratio	**<=8.85%**	**<=8.10%**	**Floor**
Other metrics			
PPNR Impairment (CCAR 9Q)	**>=$5,834M**	**>=$5,049M**	**Ceiling**
Loss in Stress	**>=100%**	**>=110%**	**Ceiling**
SC Total RWA	**Set as $2BN less than the red limit**	**Set so SCUSA CET1 is 11% based on prior month capital level**	**Ceiling**

2. Credit Risk (1/2)

1st Line of Defense Owner: All business line executives
2nd Line of Defense Risk Management unit: SHUSA Credit Risk Management function

QUALITATIVE STATEMENTS

SHUSA is willing to take credit risks that it understands and that fall within its risk appetite:

- It 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;
- It will monitor and manage portfolio quality and concentrations, including borrower and collateral quality, portfolio diversification across product, industry, geography, collateral type, and client segment;
- It will carefully monitor and manage the size of its subprime portfolio;
- It 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.

QUANTITATIVE METRICS

The quantitative credit risk metrics defined by the RAS are applied separately to each of SHUSA's material portfolios. Material portfolios are defined as those having credit exposures of more than $5BN or representing a Business Line that is of key strategic importance.

These metrics fall into three categories:

- CCAR "loss budget": The amount of stressed losses under SHUSA's BHC scenario that can be absorbed without threatening the enterprise's ability to remain above its internally-defined post-stress capital ratios;
- Business-as-usual asset quality measures: Net charge-off rate and delinquency;
- Portfolio concentration measures.

SHUSA RISK APPETITE METRICS	AMBER TRIGGER	RED LIMIT	LIMIT TYPE
CCAR loss budget - Stressed			
Total Credit Losses (CCAR 9Q)	**>=$11,746M**	**>=$12,120M**	**Ceiling**
Net charge-off rate - Actuals			
SBNA	**>=0.5%**	**>=0.6%**	**Ceiling**
SC Auto	**>=9.3%**	**>=9.6%**	**Ceiling**
BSPR	**>=1.8%**	**>=1.9%**	**Ceiling**
61+ days past due - Actuals			
SCUSA Auto	**>=5.1%**	**>=5.3%**	**Ceiling**
BSPR	**>=6.6%**	**>=7.1%**	**Ceiling**
60+ days past due - Actuals			
SBNA Retail	**>=2.84%**	**>=3.10%**	**Ceiling**

Portfolio concentration measures - Actuals			
Single Obligor Exposure	**N/A**	**>$500M**	**Ceiling**
Top 20 Corporates Exposure	**>=$7.0B**	**>=$8.0B**	**Ceiling**
Obligor Rating Exposure[3]	**N/A**	**>0**	**Ceiling**
Industry Exposure	**>=$4.5B**	**>=$5.0B**	**Ceiling**
Financial & Insurance Exposure	**>=$5.5**	**>=$6.25B**	**Ceiling**
Utilities	**>=$5.0**	**>=$5.5B**	**Ceiling**
CRE Exposure	**>=$10.1B**	**>=$10.6B**	**Ceiling**
Multifamily Exposure	**>=$10.6B**	**>=$11.1B**	**Ceiling**
Project Finance Exposure	**>=$3.75B**	**>=$4.25B**	**Ceiling**
Public Sector Exposure	**>=$436M**	**>=$543M**	**Ceiling**
SC Subprime Assets[4] as % SHUSA Credit Exposure	**>=23%**	**>=25%**	**Ceiling**
Total Subprime Assets[4] as % SHUSA Credit Exposure	**>=23%**	**>=25%**	**Ceiling**

[3] # of counterparties with Santander Risk Rating < 5.0 & exposure >$100M

[4] Subprime defined as FICO < 630 or no FICO score available (excluding Commercial Fleets)

3. Residual Value Risk

1st Line of Defense Owner: SCUSA CEO
2nd Line of Defense Risk Management unit: SHUSA Credit Risk Management function

QUALITATIVE STATEMENTS

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.

QUANTITATIVE METRICS

SHUSA RISK APPETITE METRICS	AMBER TRIGGER	RED LIMIT	LIMIT TYPE
Net Residual Risk / CRLIT[5]	**>=-3.0%**	**>=-5.0%**	**Ceiling**

[5] CRLIT Contract Residual less Incentives and Tax

4. Liquidity / Funding Risk

1st Line of Defense Owner: SHUSA Chief Financial Officer
2nd Line of Defense Risk Management unit: SHUSA Liquidity Risk Management function

QUALITATIVE STATEMENTS

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.

- It will oversee compliance of regulatory standards and corporate definitions for Liquidity Risk Management
- It will raise observations and challenge the liquidity stress test exercise when is appropriate
- It 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
- It will diversify its funding sources and minimize its dependence on capital markets

QUANTITATIVE METRICS

SHUSA RISK APPETITE METRICS	AMBER TRIGGER	RED LIMIT	LIMIT TYPE
Stressed Survival Period (days)	**<=75**	**<=45**	**Floor**
Liquidity Coverage Ratio – EUR	**<=110%**	**<=100%**	**Floor**
Liquidity Coverage Ratio Modified – US	**<=110%**	**<=100%**	**Floor**
Structural Funding Ratio (%)	**<=103%**	**<=100%**	**Floor**
Liquidity Horizon - Wholesale Scenario	**<=12 months**	**<=6 Months**	**Floor**
Asset Encumbrance (%)	**>=55%**	**>=60%**	**Ceiling**

5. Interest Rate Risk

1st Line of Defense Owner: SHUSA Chief Financial Officer
2nd Line of Defense Risk Management unit: SHUSA Market Risk Management function

QUALITATIVE STATEMENTS

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.

To minimize its exposure to Interest Rate Risk, SHUSA will hedge via instruments that it understands.

SHUSA will not participate in proprietary trading and will always maintain a low trading risk profile.

The risk appetite should be calibrated in terms of both risk to economic value and risk to earnings.

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.

QUANTITATIVE METRICS

SHUSA RISK APPETITE METRICS	AMBER TRIGGER	RED LIMIT	LIMIT TYPE
SHUSA Consolidated – Net interest income sensitivity (+/- 100bps shock) [6]	**<=-4.5%**	**<=-5.5%**	**Ceiling**
SHUSA Consolidated – Market value of equity sensitivity (+/- 100bps shock) [7]	**<=-6.5%**	**<=-7.5%**	**Ceiling**

[6] NII: Net Interest Income

[7] MVE: Market Value of Equity

6. Mark-to-market Portfolio Risk

1st Line of Defense Owners: SBNA Global Banking and Markets Head of Trading, SCUSA and SBNA Chief Financial Officers
2nd Line of Defense Risk Management unit: SHUSA Market Risk Management function

QUALITATIVE STATEMENTS

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.

QUANTITATIVE METRICS

SHUSA RISK APPETITE METRICS	AMBER TRIGGER	RED LIMIT	LIMIT TYPE
SHUSA Consolidated – Mark-to-market Value at Risk (VaR)	**>=$7.0M**	**>=$9.0M**	**Ceiling**

7. Strategic Risk
1st Line of Defense Owners: SHUSA Chief Executive Officer, Legal Entity Chief Executive Officers **2nd Line of Defense Risk Management unit: SHUSA Chief Risk Officer, Legal Entity Chief Risk Officers**
QUALITATIVE STATEMENTS
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. It 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.

8. Operational Risk

1st Line of Defense Owners: All employees of SHUSA and its Entities
2nd Line of Defense Risk Management unit: SHUSA Operational Risk function

QUALITATIVE STATEMENTS

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.

QUANTITATIVE METRICS

SHUSA RISK APPETITE METRICS	APPETITE TRIGGER	OUTER LIMIT	LIMIT TYPE
SHUSA Consolidated – Gross operational risk losses / gross margin	**>=1.5%**	**>=2.0%**	**Ceiling**
Material Operational Risk Events	**>=9**	**>=11**	**Ceiling**

9. Model Risk

1st Line of Defense Owners: All Model Owners, Model Developers and Model Users
2nd Line of Defense Risk Management unit: SHUSA Model Risk Management function

QUALITATIVE STATEMENTS

SHUSA will enforce model monitoring standards in line with industry practices and regulatory requirements.
It will allocate more resources to those models with the highest risk level (Tier 1).
It will ensure no new models are used or put into production without the appropriate approval.

QUANTITATIVE METRICS

SHUSA RISK APPETITE METRICS	AMBER TRIGGER	RED LIMIT	LIMIT TYPE
Legacy Tier 1 Models in Production w/o Appropriate Approval	**N/A**	**1Q2016 – 148** **2Q2016 – 116** **3Q2016 – 103** **4Q2016 – 46** **1Q2017 – 0**	**Stair step ceiling**

10. Compliance and Reputational Risk

1st Line of Defense Owners: All Staff SHUSA and Entities
2nd Line of Defense Risk Management unit: SHUSA Compliance function

QUALITATIVE STATEMENTS

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.
It 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.
It 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.

QUANTITATIVE METRICS

SHUSA RISK APPETITE METRICS	AMBER TRIGGER	RED LIMIT	LIMIT TYPE
Open MRIAs and other equivalent matters requiring immediate attention	**N/A**	**0**	**Ceiling**

5. Appendices

Appendix A – Risk Type Glossary

Risk Type	Definition
Capital Adequacy	Risk of having insufficient capital to sustain operations, leading to regulatory action, or ultimately failure, under stressed condition
Credit Risk	Risk of loss of principal due to a borrower's failure to repay a loan
Residual Value Risk	Risk that the value of a leased asset realizable on sale will be lower than the projected value used in establishing pricing
Liquidity / Funding Risk	Risk of insufficient funding to sustain operations or liquid assets to support liability outflows
Interest Rate Risk	Risk to the bank's earnings, capital , and economic value arising from movement of interest rates, mismatch of asset and liability cash flows and investment of equity
Mark-to-market Portfolio Risk	Risk to the bank's earnings and capital arising from changes in the value of portfolios of financial instruments (due to market-making, dealing, and position-taking activities)
Strategic Risk	Risk of loss or reduced earnings resulting from strategies or business decisions
Operational Risk	Risk resulting from breakdowns in internal processes, people, systems or from external events
Model Risk	Risk of improper development, validation, implementation, and use of models in production
Compliance and Reputational Risk	Risk of failing to comply with internal guidelines and external regulations and risk arising from negative perceptions on the part of external stakeholders (e.g., customers, counterparties, shareholders)
Fiduciary	Risk of an agent not acting in the clients' best interest.

6. Document History and Version Control

6.1 Ownership and Authorship

Version	Date	Author	Owner	Change
1.0	1/22/13	CRO	Board of Directors	Replaced by version 2.0
2.0	7/25/14	CRO	Board of Directors	Annual update and enhancements to adapt industry and regulatory best practices
3.0	9/25/15	CRO	Board of Directors	Change from “Risk Tolerance Statement” to “Risk Appetite Statement” Update of methodology and limits to adapt to industry practice and regulatory best practices
3.1	12/11/15	CRO	Board of Directors	Additional of two new Compliance and Reputational Risk Metrics approved by the SBNA Board of Directors and presented to the SHUSA Board of Directors.
4.1		CRO	Board of Directors	Annual update and inclusion of IHC Entities.

6.2 Sign-Off

Approving Body	Governance Committee Approval or Endorsement	Final Approval Date
SHUSA RC	SHUSA ERMC	7/24/2014
SHUSA Board	SHUSA RC	7/25/2014
SHUSA Board	SHUSA RC	9/25/2015
SHUSA Director of Risk Appetite	SBNA Board, SHUSA Board	12/11/2015
SHUSA RC	SHUSA ERMC	
SHUSA Board	SHUSA RC	