**Santander Holdings USA, Inc.**



**Risk Appetite metrics**

**glossary**

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1. Introduction
   1. Purpose of the document

The Risk Appetite Metrics Glossary (“Glossary”) details the quantitative metrics that are included in the Risk Appetite Statements (“RAS”) for Santander Holdings USA, Inc. (“SHUSA”), Santander Bank National Association (“SBNA”) and Santander Consumer USA (“SC”), their calculation methodology[[1]](#footnote-1) and the frequency (monthly, quarterly, semi-annual or annual) of calculation.

It forms part of the suite of documents that apply to Risk Appetite at SHUSA:

* *Risk Appetite Framework:* principles for the setting, testing and monitoring of Risk Appetite
* *Risk Appetite Statement:* qualitative statements and quantitative metrics
* *Risk Appetite Metrics Glossary:* calculation of quantitative metrics
* *Risk Appetite Monitoring, Reporting, Escalation and Remediation Procedure:* actions required in the event of a metric trigger or limit breach
* *RA Metrics Collection and Reporting Process:* monthly and quarterly reporting, metric collection and distribution process
* *Santander Group RAS Reporting Process:* monthly and quarterly reporting, metric collection and distribution process
  1. Scope

The Glossary applies to SHUSA, SBNA and SC. SBNA and SC may, at their discretion, adopt or adapt this document.

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, SBNA, SC – RAS quantitative metrics summary table

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **RISK APPETITE STATEMENT** | | |
| **RISK TYPE** | **METRIC** | **SHUSA** | **SBNA** | **SC** |
| **Capital Adequacy** | Common Equity Tier 1 Ratio | Yes | Yes | Yes |
| Tier 1 Risk-based Capital Ratio | Yes | Yes | Yes |
| Total Capital Ratio | Yes | Yes | No |
| Tier 1 Leverage Ratio | Yes | Yes | No |
| Tangible Common Equity Ratio | Yes | Yes | Yes |
| **Credit risk** | Stressed CCAR credit losses by material portfolio | Yes | Yes | Yes |
| Net charge-off rate | Yes | Yes | Yes |
| % 60/61+ days past due | Yes | Yes | Yes |
| # of counterparties with Santander Risk Rating (internal) < 5.0 and exposure > $100MM | Yes | Yes | No |
| Industry exposure (by OCC group) | Yes | Yes | No |
| CRE exposure (excl. Multifamily) | Yes | Yes | No |
| Multifamily exposure | Yes | Yes | No |
| Single obligor exposure | Yes | Yes | No |
| Top 20 obligors exposure | Yes | Yes | No |
| **Residual value risk** | Residual value deterioration | Yes | No | Yes |
| Net residual value exposure | Yes | No | Yes |
| **Liquidity / funding risk** | Survival horizon under stress | Yes | Yes | No |
| Liquidity Coverage Ratio | Yes | Yes | No |
| Structural Funding Ratio | Yes | Yes | Yes |
| Available SC committed liquidity / average projected net originations | Yes | No | Yes |
| **Interest rate risk** | Net interest income sensitivity (+/- 100bps shock) | Yes | Yes | Yes |
| Market value of equity sensitivity (+/- 200 bps shock) | Yes | Yes | Yes |
| **MtM portfolio risk** | Mark-to-market Value at Risk (VaR) | Yes | No | No |
| **Strategic risk** | Pre-provisioned net revenue (PPNR) impairment | Yes | Yes | Yes |
| Loss in stress | Yes | Yes | Yes |
| SC subprime assets as % of SHUSA credit exposure | Yes | No | Yes |
| SC Total Risk Weighted Assets (RWAs) | Yes | No | Yes |
| **Operational risk** | Gross operational risk losses / gross margin | Yes | Yes | Yes |
| Frequency of events >$200K in losses | Yes | Yes | Yes |
| **Model risk** | Backlog of Tier 1 models not appropriately approved | Yes | No | No |
| **Compliance and reputational risk** | # Matters Requiring Immediate Attention (MRIAs) | Yes | No | No |
| Serviced for others monthly net charge-off rate | Yes | No | Yes |
| CFPB Complaints | Yes | Yes | No |
| # of OCC enforcement actions | Yes | Yes | No |

1. Capital Adequacy 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. | | | |
| **RISK TYPE** | Capital Adequacy Risk | | | |
| **RATIONALE** | Part of the FDIC Prompt Corrective Action (“PCA”) standards; if ratios fall below PCA adequately capitalized levels, probability is high that SHUSA would not be able to act as a financial intermediary.  Important to external stakeholders when making decisions regarding SHUSA in either normal or stressful economic environments. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Capital Policy | SBNA Dir. of Capital Policy | SC Dir. of Capital Policy | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. Of Capital Policy | BSPR Dir. Of Capital Policy | |
| **SSLLC** |  | | |
| N/A |
| **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 Risk-based Capital (T1RBC) Ratio (baseline and stress)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The minimum ratio of T1RBC to Total Risk-Weighted Assets (RWAs) under Baseline and Stressed conditions | | | |
| **RISK TYPE** | Capital Adequacy Risk | | | |
| **RATIONALE** | If ratios fall below PCA adequately capitalized levels, probability is high that SHUSA would not be able to act as a financial intermediary.  Important to external stakeholders when making decisions regarding SHUSA in either normal or stressful economic environments. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Capital Policy | SBNA Dir. of Capital Policy | SC Dir. of Capital Policy | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. Of Capital Policy | BSPR Dir. Of Capital Policy | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The Amber trigger and Red limit for T1RBC are set annually based on the Entity’s approved T1RBC 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 Regulatory Reporting through the monthly Schedule HC-R – Regulatory Capital report. | | | |

* 1. Total Risk-Based Capital (TRBC) Ratio (baseline and stress)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The minimum ratio of TRBC to Total Risk-Weighted Assets (RWAs) under Baseline and Stressed conditions | | | |
| **RISK TYPE** | Capital Adequacy Risk | | | |
| **RATIONALE** | If ratios fall below PCA adequately capitalized levels, probability is high that SHUSA would not be able to act as a financial intermediary.  Important to external stakeholders when making decisions regarding SHUSA in either normal or stressful economic environments. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Capital Policy | SBNA Director of Capital Policy | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. Of Capital Policy | BSPR Dir. Of Capital Policy | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The Amber trigger and Red limit for TRBC are set annually based on the Entity’s approved TRBC 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 Capital Metrics are provided by the SC RAS team | | | |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The minimum ratio of T1L to Adjusted Average Assets under Baseline and Stressed conditions | | | |
| **RISK TYPE** | Capital Adequacy Risk | | | |
| **RATIONALE** | If ratios fall below PCA adequately capitalized levels, probability is high that SHUSA would not be able to act as a financial intermediary.  Important to external stakeholders when making decisions regarding SHUSA in either normal or stressful economic environments. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Capital Policy | SBNA Dir. of Capital Policy | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. Of Capital Policy | BSPR Dir. Of Capital Policy | |
| **SSLLC** |  | | |
| 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. Tangible Common Equity (TCE) Ratio (baseline and stress)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The minimum ratio of TCE to Total Tangible Assets under Baseline and Stressed conditions | | | |
| **RISK TYPE** | Capital Adequacy Risk | | | |
| **RATIONALE** | If ratios fall below PCA adequately capitalized levels, probability is high that SHUSA would not be able to act as a financial intermediary.  Important to external stakeholders when making decisions regarding SHUSA in either normal or stressful economic environments. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Capital Policy | SBNA Dir. of Capital Policy | SC Dir.of Capital Policy | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Dir. Of Capital Policy | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The Amber trigger and Red limit for TCE are set annually based on the Entity’s approved TCE 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 External Reporting, who is responsible for production of the metric. Tangible Equity and Tangible Assets are provided by Accounting. | | | |

1. Credit risk metrics
   1. Stressed CCAR credit losses by material portfolio

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | SHUSA’s 9Q stressed cumulative credit losses and any available capital surplus under the CCAR BHC Stress scenario are allocated by material portfolio.  Material portfolios are defined as:   * SC Auto (SHUSA Auto + SC Fleet loans), * SC Unsecured, * SBNA Retail, * SBNA Wholesale, * SBNA Global Corporate Banking * BSPR Mortgages * BSPR Personal Loans * BSPR Credit Cards | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | RAS is tied to the objective of quantitatively passing CCAR; CCAR loss budgets allow comparison of projected losses under stress against the maximum losses the bank can afford to lose and pass CCAR | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of CCAR Team | SBNA Dir. of CCAR Team | SC Dir.of CCAR Team | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. Of CCAR Team | BSPR Dir. Of CCAR Team | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The CCAR Stressed projected credit losses triggers and limits are set as follows:   * Each material portfolio is allocated its CCAR stressed cumulative credit losses and, in addition, a proportionate amount of any capital surplus that may remain between the lowest stressed quarterly value of the Tier 1 Risk-based Capital[[2]](#footnote-2) ratio throughout the CCAR period and the stressed amber triggers/red limit level for the ratio. * Amber trigger: is calculated as the sum of the portfolio’s stressed cumulative credit losses + the proportionate amount of capital surplus (in dollar terms) between the stressed CCAR output for the Tier 1 Risk-based capital ratio and the internally set post-stress minimum ratio (amber trigger). * Red limit: is calculated as the sum of the portfolio’s stressed cumulative credit losses + the proportionate amount of capital surplus (in dollar terms) between the stressed CCAR output for the Tier 1 Risk-based capital ratio and the regulatory “Prompt Corrective Action” Tier 1 Risk-based capital ratio (red limit).   The capital surplus is calculated as follows[[3]](#footnote-3):  *Capital Surplus ($MM) =*  *(T1 Risk Based Capital limit – 9Q T1 Risk Based Capital in BHC Stress) \* lowest 9Q RWAs in BHC Stress* | | | |
| **TESTING FREQUENCY** | Annually: CCAR output. The stressed cumulative values of credit losses under CCAR are compared to the annual re-calculation of amber trigger and red limit as set out above. The RAS will be presented for annual review with the CCAR outputs compared to the new triggers and limits and the previous RAS levels. | | | |
| **SOURCE OF INFORMATION** | Provided by the CCAR teams for SHUSA, SBNA, SC, and BSPR:   * Cumulative stressed credit losses by portfolio: CCAR Y14 A * Capital Surplus as per calculation above. | | | |

* 1. Cost of Credit

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Net credit provisions incurred on a trailing 12 month basis as a percentage of the trailing 12 month average loan portfolio | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | ??? | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | ??? | |
| **SSLLC** |  |  | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The Cost of Credit triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Quarterly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Net charge-off rate

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Monthly net charge-offs (NCOs) as a percentage of outstanding balances, by material portfolio.  Material portfolios are defined as:   * SC Auto (SC Auto + SC Fleet loans), * SC Unsecured, * SBNA Retail, * SBNA Small Business * SBNA Commercial Real Estate (including Multifamily), * SBNA Commercial & Industrial, * SBNA Global Corporate Banking * BSPR Mortgages * BSPR Personal Loans * BSPR Credit Cards   *This metric uses the “Stressed CCAR credit losses by material portfolio” described in the previous metric together with historical NCO data to derive a Baseline annual NCO rate by portfolio that can then be compared against actual annualized NCOs on each portfolio. This establishes the link between risk appetite and actual NCOs for each portfolio on the assumption that if actual NCOs are higher than the modelled (expected) baseline ratio, the underlying risk profile of the portfolio is deteriorating and that, under stress, it could lead to a breach of the CCAR capital metrics.*  *This forward looking RAS metric must not be confused with more traditional management metrics such as actuals vs. annual NCO budget (financial plan compliance) or rolling 12 month NCOs (backward looking, historical behavior).* | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Projected stressed losses are only projected annually; SHUSA will want a BAU metric to monitor more frequently. These metrics serve as early warning indicators of exceeding the CCAR loss budget. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk manager | SBNA Heads of Business | SC Heads of Business | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Credit Risk | |
| **SSLLC** |  |  | |
| N/A |  |  | |
| **TRIGGER AND LIMIT SETTING** | Net charge off (NCO) triggers and limits are established annually through a calibration process. Each material portfolio is analyzed as follows:   1. **Calibration of loss scalars:** 2. Evaluation of relevant internal (i.e. SBNA, SC, BSPR) historical time series for NCO rates at SBNA, SC, BSPR and relevant Federal Reserve Bank regulated banks. This time series needs to be updated annually with the most recent data. 3. Average NCO rates in crisis and normal conditions are calculated for the entities and the regulated banks. 4. Stress scalars are calculated by dividing the average in crisis conditions by the average in normal conditions. 5. Additional stress scalars are calculated based on the most recent CCAR stressed losses, using two stress scenarios (FRB Adverse and BHC Stress). 6. Based on the data points and the expert judgment of senior management, stress scalars are weighted to arrive at an overall stress scalar used in limit setting. | | | |
|  | | | | |
|  | 1. **Setting of triggers and limits for NCOs:** 2. Using the stressed CCAR projected credit losses by material portfolio defined for the amber trigger and the red limit in previous metric, the cumulative 9Q losses are annualized ((losses/27)\*12) 3. The annualized stressed losses are divided by the stress scalar arrived at in step 1) above to back out implied ‘annualized baseline losses’ 4. The NCO rate is calculated based on implied annualized baseline losses and the portfolio’s outstanding balances at the most recent date (closest quarter to the RAS limit setting date). If required, a scalar for the portfolio size can be used to approximate the portfolio size applied in the CCAR to any increases or decreases in the portfolio at the time of calculation. 5. The analysis is reviewed by internal experts who adjust the NCOs if required 6. The agreed NCO rates are back tested against the historical time-series to observe the number of breaches over time, thus checking that the limits are appropriate and reasonable.  * Amber trigger: is set based on the amber CCAR projected annualized credit losses amount * Red Limit: is set based on the red CCAR projected annualized credit losses amount | | | |
|  | | | | |
| **TESTING FREQUENCY** | Monthly.  SBNA portfolios, annualized monthly net charge-offs are defined as:  [BSPR]  For SC portfolios, annualized monthly net charge-offs are defined as:    Total outstanding balances are defined as total on “balance sheet” balances, including interest accruing and non-interest accruing (NPL) balances. Outstanding balances are as of the last day of the month.  The monthly numerator and denominator should be compared to those used in the setting of the metric in order to highlight any divergence may be distorting the actuals versus the expected behavior of the portfolio. | | | |
| **SOURCE OF INFORMATION** | SBNA Risk MI - Most recent month’s total net charge-offs and Total outstanding balances by portfolio are available within the Credit Metric Trends report (Commercial and Retail Risk data) published by SBNA Risk MI on a monthly basis. The report is available at [R:\CRMIS\DEPT\REPORTS\Credit Metrics](file:///\\corpormabop3\docs\CRMIS\DEPT\REPORTS\Credit%20Metrics)  SC - Director Portfolio Risk Management, who is responsible for production of the metric. All Net Charge-off data is collected by the Credit Risk MIS team.  [BSPR] | | | |

* 1. %60/ 61+ days past due

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **DEFINITION** | The percentage of total outstanding balances 60+ / 61+ days delinquent, for material portfolios.  SBNA and BSPR track delinquencies at 60+ days; SC tracks delinquency at 61+ days.  Material portfolios are defined as:   * SC Auto, * SC Unsecured * SBNA Retail * BSPR Mortgages * BSPR Personal Loans * BSPR Credit Cards | | | | |
| **RISK TYPE** | Credit Risk | | | | |
| **RATIONALE** | Delinquencies are a pre-default measure that can serve as an early warning indicator of the deterioration of SHUSA’s retail portfolios; %60/61+ days past due (DPD) is ideal because %30+ DPD is too conservative (significant portion of these loans recover between 31-60 days) and %90+ DPD is too late | | | | |
| **ENTITY** | **SHUSA** | | **SBNA** | **SC** | |
| Yes | | Yes | Yes | |
| **SIS** | | **BSI Miami** | **BSPR** | **SSLLC** |
| No | | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | | **SBNA** | **SC** | |
| SHUSA Credit Risk manager | | SBNA Heads of Business | SC Heads of Business | |
| **SIS** | | **BSI Miami** | **BSPR** | |
| N/A | | N/A | BSPR Credit Risk | |
| **SSLLC** | |  | | |
| N/A | |
| **TRIGGER AND LIMIT SETTING** | Days Past Due (DPD) triggers and limits are established annually through a calibration process. Each material portfolio is analyzed as follows:   1. Calculation of the historical relationship between NCOs and 60+/61+ DPD by establishing the scalar between NCO and DPD as percentages of balances (Scalar is calculated by dividing average DPDs over the time series by Average NCO rate over the same time series) 2. Applying the DPD ratio to amber and red NCO limits to derive DPD triggers and limits | | | | |
| **Example** | | | | | |
| **TESTING FREQUENCY** | | Monthly.    Total outstanding balances are defined as total “on balance sheet” balances, including interest accruing and non-interest accruing (NPL) balances. Outstanding balances are as of the last day of the month. | | | |
| **SOURCE OF INFORMATION** | | SBNA Risk MI - Most recent month’s 60+ Delinquency by portfolio is available within the Delinquency report published by SBNA Risk MI. The report is available at R:\CMTEC\RRPT\\_Solvency Risk\Regulatory Reporting  Total outstanding balances by portfolio available within the Credit Metric Trends report (Commercial and Retail Risk data) published by SBNA Risk MI on a monthly basis. The report is available at R:\CRMIS\DEPT\REPORTS\Credit Metrics  SC - Director Portfolio Risk Management, who is responsible for production of the metric. All Delinquency data is collected by the Credit Risk MIS team.  BSPR: | | | |

* 1. Non-Performing Loan (NPL) Entries

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Measures the credit quality of the portfolio by calculating the volume of net non-performing loans (NPLs) entries as a percentage of average credit exposure of the portfolio. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | ??? | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | ??? | |
| **SSLLC** |  |  | |
| N/A |  |  | |
| **TRIGGER AND LIMIT SETTING** | The NPL Entries triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Quarterly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Non-Performing Loan (NPL) Coverage Ratio

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Measures the level of coverage of NPLs by provision reserves (provision stock) by calculating provision reserves as a percentage of NPLs | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | ??? | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The NPL Coverage triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Quarterly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. # of counterparties with Santander Risk Rating (internal) < 5.0 (4.5 for BSPR) and exposure > $100MM ($XX MM for BSPR)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The total number of individual counterparties of lower credit quality (defined as internal risk rating of < 5.0, 4.5 for BSPR) with exposure > $100MM ($XX MM for BSPR)  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, 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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Measures SHUSA’s significant exposures to lower credit quality counterparties | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Credit Risk | |
| **SSLLC** |  | | |
| 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   [BSPR] | | | |

* 1. Industry exposure (by OCC group)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **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[[5]](#footnote-5).  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[[6]](#footnote-6) (“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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Limits on industry size ensure that the credit portfolio is adequately diversified | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Credit Risk | |
| **SSLLC** |  | | |
| 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** | Monthly | | | |
| **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 NAICSCode 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   [BSPR] | | | |

* 1. CRE exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The total dollar value of Commercial Real Estate exposure, excluding the exposure to Multifamily real estate.  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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | CRE is an important metric to track in the RAS given its large exposure; cascaded from Group | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk manager | SBNA Head of CRE | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Head of CRE | |
| **SSLLC** |  | | |
| 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** | Monthly | | | |
| **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   [BSPR] | | | |

* 1. Institutional exposure (BSPR only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The total dollar value of Municipalities exposure to BSPR  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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Credit Risk | |
| **SSLLC** |  | | |
| 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** | Monthly | | | |
| **SOURCE OF INFORMATION** |  | | | |

* 1. Multifamily exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The total dollar value of Multifamily real estate exposure.  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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Multifamily is an important metric to track in the RAS given its large exposure | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk manager | SBNA Head of Business | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Credit Risk | |
| **SSLLC** |  | | |
| 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** | Monthly | | | |
| **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. Single obligor exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **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[[10]](#footnote-10) (“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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Important for SHUSA to monitor and manage obligor concentrations, given the size of their largest exposures; cascaded from group | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Credit Risk | |
| **SSLLC** |  | | |
| 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** | Monthly | | | |
| **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 obligors exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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.  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[[11]](#footnote-11) (“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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Important for SHUSA to monitor and manage obligor concentrations, given the size of their largest exposures; cascaded from group | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk manager | SBNA Heads of Business | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | BSPR Credit Risk | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The amber trigger and red limit are set annually by the Board when reviewing the RAS. | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **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. Large exposures

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Weight on the Bank’s equity of the aggregate exposure with customers and counterparties rated as “large exposures” (excludes public sector exposures)  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[[12]](#footnote-12) (“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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Important for SHUSA to monitor and manage obligor concentrations, given the size of their largest exposures; cascaded from group | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The large exposures triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Financial Institutions – Single obligor exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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 available committed liquidity (ACL)  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[[13]](#footnote-13) (“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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The financial institutions – single obligor exposure triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Financial Institutions – Top 20 obligors exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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  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[[14]](#footnote-14) (“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. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The financial institutions – Top 20 obligors exposure triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Underwriting – Individual transaction

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Maximum exposure with an individual counterparty in underwriting operations. Underwriting operations includes the syndication of loans, issuance of debt via debt capital markets (DCM) originations, and equity placements via equity capital markets (ECM) originations. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The underwriting – individual transaction triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Underwriting – total exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Maximum total exposure resultant of underwriting operations. Underwriting operations includes the syndication of loans, issuance of debt (DCM originations), and equity placements (ECM originations). | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The underwriting – total exposure triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Specialized lending

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Measures the maximum exposure with specialized lending portfolios relative to CET1 plus ACL.  For Risk Appetite purposes, the following are considered as specialized lending portfolios: project finance, leveraged buyouts, securitizations, asset & capital structuring, and receivable purchase program. CRE portfolios are not included within this category. | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The specialized lending exposure triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Other relevant portfolios

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Maximum exposure to portfolios deemed by the local entity responsible to be significant enough to warrant the Group Board’s monitoring | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The other relevant portfolios exposure triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Secured lending model exceptions (BSI Miami only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Difference between lending value (LV) given to assets serving as collateral and the “normal” LV as calculated by the secured lending model relative to total credit portfolio exposure | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Limits the amount of credit exposure that can be approved as an exception, i.e., that has a loan-to-value (LTV) higher than the approved LTV for the assets serving as collateral as calculated by the secured lending model | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The secured lending model exceptions triggers and limits are set as follows:   * Amber trigger: 3% [TENTATIVE] * Red limit: 5% [TENTATIVE]   Rationale for limit and trigger: [TBD]  [FROM BSI PRESENTATION]  The limit is arrived at by considering the absolute value of 5% of total credit exposure as a multiple of budgeted EBIT. With a projected run rate of $120M EBIT and total credit exposure of $XXBn, this means that if all 5% of total credit exposure suffers a 100% LGD, it would represent 19 month of EBIT ($190M).  For this event to take place, all the collateral taken as security would have to lose 100% of its value, implying a correlation of 1 across all assets (currently over 150 diversified assets)  Under current conditions the maximum loss that BSI could incur under a 100% LGD scenario for all exceptions would be $60M or approximately 2% of Total exposure and 50% of budgeted EBIT | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Portfolio loan-to-value, excluding cash (BSI Miami only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Credit exposure relative to the market value of the pledged assets, excluding cash, on an ongoing basis | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Measures the risk associated with BSI’s credit portfolio | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The portfolio LTV, ex-cash triggers and limits are set as follows:   * Amber trigger: 55% [TENT.] * Red limit: 70% [TENT.]   Rationale for limit and trigger: LTV of 70% is considered healthy and is an industry standard and this is included in the BSI lending policy; 55% trigger was determined through management judgment | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Maximum individual obligor exposure (BSI Miami only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Regulatory exposure as a percentage of tier 1 capital (T1C)  Regulatory exposure is defined as gross credit exposure less qualified assets (cash and U.S. Treasuries) | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Measures the exposure to the largest single obligor in aggregate in order to limit the impact on capital of unexpected borrower events. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The maximum individual obligor exposure triggers and limits are set as follows:   * Amber trigger: 12% * Red limit: 15%   Rationale for limit and trigger: 15% limit is a compulsory regulatory ratio - equivalent to a Large Exposures metric; 12% trigger was determined through management judgment | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Maximum exposure – Top 10 obligors (BSI Miami only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Sum of the top 10 borrowers’ regulatory exposure as a percentage of T1C  Regulatory exposure is defined as gross credit exposure less qualified assets (cash and U.S. Treasuries) | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Measures the concentration of the largest 10 obligors in aggregate in order to limit the impact on capital of unexpected borrower events. This is a compulsory regulatory ratio for BSI. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The maximum exposure – top 10 obligors triggers and limits are set as follows:   * Amber trigger: 85% * Red limit: 100%   Rationale for limit and trigger: Chose to aggregate exposure to top 10 obligors as they represent 100% of T1C; 85% trigger was determined through management judgment | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Non-investment grade collateral (BSI Miami only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Proportion of non-investment grade (i.e. S&P Issuer Credit Rating of BB+ or below) assets used as collateral to total pledged assets | | | |
| **RISK TYPE** | Credit Risk | | | |
| **RATIONALE** | Minimizes the concentration of non-investment grade pledged assets, which carry higher risk / volatility. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The non-investment grade collateral triggers and limits are set as follows:   * Amber trigger: 8% * Red limit: 10%   Rationale for limit and trigger: The 10% limit was chosen as this is what can be absorbed by BSI’s capital; 8% trigger was determined through management judgment | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

1. Residual value risk metrics
   1. Residual value deterioration

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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  This is a sub-metric of the Total PPNR impairment metric (section 9.1 below). | | | |
| **RISK TYPE** | Residual Value Risk | | | |
| **RATIONALE** | Compares projected residual value impairment under stress against the maximum PPNR impairment the bank can afford (and pass CCAR); residual value deterioration contributes to PPNR impairment | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director CCAR Team | N/A | SC Director CCAR Team | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The CCAR PPNR Residual Value impairment loss limit and trigger are set as follows[[15]](#footnote-15):   * Amber trigger: the sum of PPNR Leased Vehicle Expense impairment Value + the proportionate amount of capital surplus (in dollar terms) between the CCAR output for the Tier 1 Risk-based capital ratio and the internally set post-stress minimum ratio (amber level). * Red limit: the sum of PPNR Leased Vehicle Expense impairment + the proportionate amount of capital surplus (in dollar terms) between the CCAR output for the Tier 1 Risk-based capital ratio and the regulatory “Prompt Corrective Action” Tier 1 Risk-based capital ratio (red limit). | | | |
| **TESTING FREQUENCY** | Annually: CCAR output. The cumulative value of Leased Vehicle Expense impairment under CCAR is compared to the annual re-calculation of amber trigger and red limit as set out above. The RAS will be presented for annual review with the CCAR outputs compared to the new triggers and limits | | | |
| **SOURCE OF INFORMATION** | * Cumulative Losses by portfolio: CCAR Y14 A * Capital Surplus: The capital surplus is defined as the capital dollar difference between the T1RBC ratio limits and the minimum T1RBC ratio projected over a 9Q period of stress in CCAR. | | | |

* 1. Net residual value exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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 | | | |
| **RISK TYPE** | Residual Value Risk | | | |
| **RATIONALE** | As the projected residual value deterioration is only calculated annually, SHUSA will want a BAU metric to monitor more frequently | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SC Director of Auto Leasing | N/A | SC Director of Auto Leasing | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | Net Residual Value exposure trigger and limit are established annually through a calibration process as follows:   * Using an internal ROA model, SC compares lifetime expected return of lease assets (lifetime ROA) to CRLIT * This is translated to a shortfall analysis to show the break-even point where the portfolio ROA becomes 0%. This point is selected as the red limit * Expert judgement is used to set the amber trigger | | | |
| **TESTING FREQUENCY** | Monthly  The difference between Forecasted Residual Value and CRLIT, divided by CRLIT – net of the Chrysler Risk Share:    The Forecasted Residual Value is the lower of ALG (quarterly number) and the forecasted residual value for internal mark (3 month average).  Note: The forecast used for future originations is produced every 2 months, while the forecast used to measure residual risk on the current portfolio (Mark to Market) is produced every month. | | | |
| **SOURCE OF INFORMATION** | SC Director Portfolio Risk Management is responsible for production of the metric. Residual Data comes from the Residual Risk team. | | | |

1. Liquidity / funding risk metrics
   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 | | | |
| **RISK TYPE** | Liquidity / Funding Risk | | | |
| **RATIONALE** | Designed to measure longevity of liquidity under short-term stress | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Treasury (ALM) | SBNA Dir. of Treasury (ALM) | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. Treasury ALM | BSI Dir. Treasury ALM | BSPR Dir. Treasury ALM | |
| **SSLLC** |  | | |
| SSLLC Dir. Treasury ALM |
| **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. | | | |
| **RISK TYPE** | Liquidity / Funding Risk | | | |
| **RATIONALE** | Defined by regulators and is designed to measure liquidity under short-term stress. SHUSA must ensure its cash flow profile keeps Liquidity Coverage Ratio (LCR) at or above limits to remain compliant with Basel III. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Treasury (ALM) | SBNA Dir. of Treasury (ALM) | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. Treasury ALM | BSI Dir. Treasury ALM | BSPR Dir. Treasury ALM | |
| **SSLLC** |  | | |
| SSLLC Dir. Treasury ALM |
| **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[[16]](#footnote-16). | | | |
| **SOURCE OF INFORMATION** | QRM; Source and Use Report; Investment Portfolio Report; GL - File name: “RL\_LCR\_019\_201511” | | | |

* 1. Structural Funding Ratio (SFR)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The percentage of structural assets that are funded with medium and long term liabilities | | | |
| **RISK TYPE** | Liquidity / Funding Risk | | | |
| **RATIONALE** | SHUSA currently monitors the structural funding ratio which is a precursor to net stable funding ratio (NSFR), a monitoring standard specified by Basel III which will have to be met by 2018. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Market Risk ALM | SBNA Dir. of Market Risk ALM | SC Dir. Market Risk ALM | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. Market Risk ALM | BSI Dir. Market Risk ALM | BSPR Dir. Market Risk ALM | |
| **SSLLC** |  | | |
| SSLLC Dir. 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[[17]](#footnote-17): | | | |
| **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. Asset encumbrance

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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. | | | |
| **RISK TYPE** | Liquidity/Funding Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | ??? | ??? | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The asset encumbrance triggers and limits are set as follows:   * Amber trigger: is calculated as * Red limit: is calculated as | | | |
| **TESTING FREQUENCY** | Quarterly (TBD) | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. Available SC committed liquidity / average projected net originations

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | A measurement of the committed liquidity available to SC against projected net originations. | | | |
| **RISK TYPE** | Liquidity / Funding Risk | | | |
| **RATIONALE** | Ensures SC has adequate liquidity to cover the time between loan origination and the time at which assets are placed in match-funded securitizations. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Market Risk ALM | N/A | SC Dir. of Market Risk ALM | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| N/A |
| **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. Interest rate risk metrics
   1. Net interest income (NII) sensitivity (+/- 100 bps shock)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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. | | | |
| **RISK TYPE** | Interest Rate Risk | | | |
| **RATIONALE** | Estimates the directional sensitivity of earnings at risk (NII) due to the re-pricing interaction of the existing assets and liabilities over time resulting from a particular yield curve shift.  NII shocks provide a short- to mid-term view of the impact on earnings and capital due to various changes in interest rates. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Market Risk ALM | SBNA Dir. of Market Risk ALM | SC Dir. Market Risk ALM | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. Market Risk ALM | BSI Dir. Market Risk ALM | BSPR Dir. Market Risk ALM | |
| **SSLLC** |  | | |
| SSLLC Dir. Market Risk ALM |
| **TRIGGER AND LIMIT SETTING** | NII shocks provide a short-to-mid-term view of the impact on earnings and capital due to various changes in interest rates. The configuration of the metric is an industry standard. The metric is computed through the full measurement of interest income and expense of all components of the Balance Sheet (On-B/S and Off-B/S), selecting the biggest loss generated between relevant parallel shocks computed from minus 100 bps up to plus 100 bps, compared to the base case scenario.   * The amber trigger is established by the business line (Treasury) * The red limit is proposed by Treasury, review and challenged by Market Risk and approved by ERM. | | | |
| **TESTING FREQUENCY** | Monthly  The NII shock and its base Net Interest Income projection are subject to a complex set of assumptions and models. These models and assumptions are subject to SHUSA’s Model Risk Governance. | | | |
| **SOURCE OF INFORMATION** | QRM - File name: “GAP Int Driver”  SC Director Market Risk is responsible for production of metric. SHUSA QRM supplies Market Risk with finalized values. | | | |

* 1. Market value of equity (MVE) sensitivity (+/- 200 bps shock)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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. | | | |
| **RISK TYPE** | Interest Rate Risk | | | |
| **RATIONALE** | Estimates the directional sensitivity of MVE due to the re-pricing interaction of the existing assets and liabilities over time resulting from a particular yield curve shift.  MVE shocks provide a longer-term economic view of SHUSA’s IRR exposure that incorporates all future cash flows from existing asset/liability and off-balance sheet exposures. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Market Risk ALM | SBNA Dir. of Market Risk ALM | SC Dir. Market Risk ALM | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. Market Risk ALM | BSI Dir. Market Risk ALM | BSPR Dir. Market Risk ALM | |
| **SSLLC** |  | | |
| SSLLC Dir. Market Risk ALM |
| **TRIGGER AND LIMIT SETTING** | The metric is computed through the full revaluation of all interest rate sensitivity components of the Balance Sheet (On-B/S and Off-), selecting the biggest loss generated between a relevant parallel shocks computed from minus 200 bps up to plus 200 bps compared to the base case scenario.  This configuration of the metric is an industry standard.   * The amber trigger is established by the business line (Treasury) * The red limit is proposed by Treasury, reviewed and challenged by Market Risk and approved by ERM | | | |
| **TESTING FREQUENCY** | Monthly  MVE is dependent on a number of assumptions that include: interest rate characteristics of deposits, non-maturing assets/liabilities and the optionality of loans. All deposits without explicit maturities[[18]](#footnote-18) such as DDA, Savings and MMDA type accounts are subject to call risk. Market Risk will annually calibrate and submit to the ALCO and Model Risk Management non maturity asset and liability durations and the model calibrations. | | | |
| **SOURCE OF INFORMATION** | QRM - File name: “GAP Int Driver”  SC Director Market Risk is responsible for production of metric. SHUSA QRM supplies Market Risk with finalized values. | | | |

1. Mark-to-market portfolio risk metrics
   1. Mark-to-market (MtM) Value at Risk (VaR)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The MtM VaR metric covers the market risk in all material trading portfolios for SHUSA.  Material portfolios include:   * SBNA client facilitation, * SBNA mortgage servicing rights, * SBNA mortgage pipeline, and * SC economic hedges (SC VaR) | | | |
| **RISK TYPE** | Market Risk | | | |
| **RATIONALE** | The purpose of this metric is to have a standalone measure that covers the risk in all the material MtM portfolios for SHUSA. These include: client facilitation, mortgage pipeline, mortgage servicing rights, and SC economic hedges. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Treasury | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The metric is calculated by taking historical series of daily market data since 2008 and using a level of confidence of 99% (unweighted percentile). This configuration of the metric is an industry standard.   * The amber trigger for SHUSA MtM VaR is the sum of the 99% VaR limits for each portfolio set by management. It is assumed that limits for portfolio are additive, i.e. there is no risk diversification across portfolios * The red limit is calibrated as the amber trigger plus the sum of an additional buffer by portfolio, added per management discretion. Management chose to add a buffer for the following reasons: * The VaR position may grow with new risk balance limits * Increased market volatility may elevate the VaR metric even if the position does not change | | | |
| **TESTING FREQUENCY** | Monthly  The sum of the end-of-month 99% VaR for the each material portfolio. | | | |
| **SOURCE OF INFORMATION** | Aire system | | | |

1. Strategic risk metrics
   1. Pre-provisioned net revenue (PPNR) impairment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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 [[19]](#footnote-19).  Material components include:   * Total Revenue, * Expenses due to Operational Risk, * Expenses due to Residual Value Risk (has its own metric) | | | |
| **RISK TYPE** | Strategic Risk | | | |
| **RATIONALE** | PPNR impairment metric allows comparison of projected PPNR impairment under stress against the maximum impairment the bank can afford and still pass CCAR quantitatively. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director CCAR Team | SBNA Dir. CCAR Team | SC Dir. CCAR Team | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. CCAR Team | BSPR Dir. CCAR Team | |
| **SSLLC** |  | | |
| SSLLC Dir.CCAR Team |
| **TRIGGER AND LIMIT SETTING** | The CCAR PPNR impairment loss limit and trigger is set as follows:   * Each material component is allocated its PPNR impairment and, in addition, a proportionate amount of any capital surplus that may remain between the lowest quarterly value of the Tier 1 Risk-based Capital ratio throughout the CCAR period and the amber triggers/red limit level for the ratio. * Amber trigger: is calculated as the sum of PPNR impairment + the proportionate amount of capital surplus (in dollar terms) between the CCAR output for the Tier 1 Risk-based capital ratio and the internally set post-stress minimum ratio (amber level). * Red limit: is calculated as the sum of PPNR impairment + the proportionate amount of capital surplus (in dollar terms) between the CCAR output for the Tier 1 Risk-based capital ratio and the regulatory “Prompt Corrective Action” Tier 1 Risk-based capital ratio (red limit).   *Capital Surplus ($MM) =*  *(T1 Risk Based Capital limit – 9Q T1 Risk Based Capital in BHC Stress) \* lowest 9Q RWAs in BHC Stress* | | | |
| **TESTING FREQUENCY** | Annually: CCAR output. The cumulative value of PPNR impairment under CCAR is compared to the annual re-calculation of amber trigger and red limit as set out above. The RAS will be presented for annual review with the CCAR outputs compared to the new triggers and limits. | | | |
| **SOURCE OF INFORMATION** | CCAR Results – Y14A | | | |

* 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. | | | |
| **RISK TYPE** | Strategic Risk | | | |
| **RATIONALE** | Ensures that losses under an adverse, but plausible stress do not exceed 100% of PBT; cascaded from Group. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| RAS Function | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| 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. | | | |
| **SOURCE OF INFORMATION** | Set out in the appendix | | | |

* 1. SC subprime assets as % of SHUSA credit exposure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The concentration of sub-prime SC assets as a % of total SHUSA consolidated credit exposure | | | |
| **RISK TYPE** | Strategic Risk | | | |
| **RATIONALE** | Restricting the size of SC is a management priority–both for credit risk (due to SC’s considerable subprime assets) and for reputational reasons. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | N/A | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Finance | N/A | SC Heads of Business | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| N/A |
| **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. Credit exposure over assets under management (BSI Miami only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Credit exposure, consisting of the BSI credit portfolio, as a proportion of assets under management (AUM), consisting of clients’ on- and off-balance sheet deposits and investments | | | |
| **RISK TYPE** | Strategic Risk | | | |
| **RATIONALE** | The purpose if this metric is to limit the amount of credit risk which can be attained by BSI, whose primary business is to manage customer assets. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The credit exposure over AUM triggers and limits are set as follows:   * Amber trigger: 15% of AUM * Red limit: 20% of AUM   Rationale for limit and trigger: The limit has been set in line with industry practice [DETERMINE IF IS SUFFICIENT] | | | |
| **TESTING FREQUENCY** | Quarterly (TBD) | | | |
| **SOURCE OF INFORMATION** | Provided by | | | |

* 1. SC Total Risk Weighted Assets (RWAs)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **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). | | | |
| **RISK TYPE** | Strategic Risk | | | |
| **RATIONALE** | Restricting the size of SC is a management priority–both for credit risk (due to SC’s considerable subprime assets) and for reputational reasons.  RWAs were used as opposed to balances to include undrawn commitments and account for the riskiness of the portfolio. | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Finance | N/A | SC Director of Capital Management | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| N/A |
| **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. Operational Risk Metrics
   1. Gross Operational Risk Losses over Gross Margin

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Gross operational risk losses as a percentage of gross margin within the same period | | | |
| **RISK TYPE** | Operational Risk | | | |
| **RATIONALE** | Measures overall operational risk losses and is preferred over measuring net operational risk losses as measuring gross losses accounts for a “worst-case” scenario where there are no loss recoveries and avoids not acting on a RAS limit breach while waiting for recoveries | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Operational Risk | SBNA Dir. of Operational Risk | SC Dir. of Operational Risk | |
|  | **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. of Operational Risk | BSI Dir. of Operational Risk | BSPR Dir. of Operational Risk | |
| **SSLLC** |  | | |
| SSLLC Dir. 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. Relevant operational risk events R1

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Measures the concentration of significant events on a trailing 12 month basis; proportion of events exceeding €1 MM (extreme) to events exceeding €20 K (significant) | | | |
| **RISK TYPE** | Operational Risk | | | |
| **RATIONALE** | Indicates level of concentration amongst significant operational risk losses | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Operational Risk | SBNA Dir. of Operational Risk | SC Dir.of Operational Risk | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. of Operational Risk | BSI Dir. of Operational Risk | BSPR Dir. of Operational Risk | |
| **SSLLC** |  | | |
| SSLLC Dir. of Operational Risk |
| **TRIGGER AND LIMIT SETTING** | The relevant OR events R1 triggers and limits are set as follows:   * Amber trigger: * Red limit:   The percentages obtained above for the trigger and the limit are reviewed and a management adjustment may be applied for RAS purposes. | | | |
| **TESTING FREQUENCY** | Quarterly with cumulative data at the end of the period. | | | |
| **SOURCE OF INFORMATION** |  | | | |

* 1. Operational risk - Fraud

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Synthetic indicator of the percentage of instances of external fraud among total clients in the 3 segments showing the greatest incidence of fraud at the Group: cards, e-banking, and telephone banking channels | | | |
| **RISK TYPE** | Operational Risk | | | |
| **RATIONALE** | … | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Operational Risk | SBNA Dir. of Operational Risk | SC Dir.of Operational Risk | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. of Operational Risk | BSPR Dir. of Operational Risk | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The OR – Fraud metric is composed of 3, variously-weighted sub-metrics with their own triggers and limits: card fraud ratio, telephone banking fraud, and e-banking fraud. The triggers and limits for each are set as follows:   * Card fraud ratio (70% weight):   + Amber trigger: [none suggested]   + Red limit: 100% * Telephone banking fraud (10% weight):   + Amber trigger: [none suggested]   + Red limit: [none suggested] * E-banking fraud (20% weight):   + Amber trigger: [none suggested]   + Red limit: [none suggested] | | | |
| **TESTING FREQUENCY** | Quarterly with cumulative data at the end of the period. | | | |
| **SOURCE OF INFORMATION** |  | | | |

* 1. Operational risk - Technology

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Synthetic indicator of 3 significant technological risks: priority-1 incidents (P1) and priority-2 incidents (P2), systems availability, and obsolete software | | | |
| **RISK TYPE** | Operational Risk | | | |
| **RATIONALE** | Monitors technology risk indicators which, if are allowed to exceed certain thresholds, can jeopardize the business operations capabilities of SHUSA | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | Yes | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Operational Risk | SBNA Dir. of Operational Risk | SC Dir.of Operational Risk | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. of Operational Risk | BSI Dir. of Operational Risk | BSPR Dir. of Operational Risk | |
| **SSLLC** |  | | |
| SSLLC Dir. of Operational Risk |
| **TRIGGER AND LIMIT SETTING** | The OR – Technology metric is composed of 3, equally-weighted sub-metrics with their own triggers and limits: P1 and P2 incidents, % systems availability, and % obsolete software. The triggers and limits for each are set as follows:   * P1 and P2 incidents (33.3% weight):   + Amber trigger: [2 - suggested]   + Red limit: [3 - suggested] * % Systems availability (33.3% weight):   + Amber trigger: [99.75% - suggested]   + Red limit: [99.5% - suggested] * % Obsolete software (33.3% weight):   + Amber trigger: [5% - suggested]   + Red limit: [3% - suggested] | | | |
| **TESTING FREQUENCY** | Quarterly with cumulative data at the end of the period. | | | |
| **SOURCE OF INFORMATION** |  | | | |

* 1. Operational risk – Cyber risk

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Synthetic indicator of 3 significant security risks: ethical hacking, information leakages, and instances of Distributed Denial of Service (DDoS) | | | |
| **RISK TYPE** | Operational Risk | | | |
| **RATIONALE** | Monitors cyber risk indicators which, if are allowed to exceed certain thresholds, can jeopardize the integrity of client funds and information leading to reputational, as well as financial, losses | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | Yes | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Operational Risk | SBNA Dir. of Operational Risk | SC Dir.of Operational Risk | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. of Operational Risk | BSPR Dir. of Operational Risk | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The OR – Technology metric is composed of 3, equally-weighted sub-metrics with their own triggers and limits: ethical hacking, information leakages, and instances of DDoS. The triggers and limits for each are set as follows:   * Ethical hacking tests (33.3% weight):   + Amber trigger: [3 - suggested]   + Red limit: [6 - suggested] * Information leakages (33.3% weight):   + Amber trigger: [0.5 - suggested]   + Red limit: [1.0 - suggested] * Distributed Denial of Services (DDoS) (33.3% weight):   + Amber trigger: [2 - suggested]   + Red limit: [5 - suggested] | | | |
| **TESTING FREQUENCY** | Quarterly with cumulative data at the end of the period. | | | |
| **SOURCE OF INFORMATION** |  | | | |

* 1. Frequency of events > $200K in losses

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **METRIC** | Number of operational risk events > $200K in losses, within a given quarter | | | |
| **RISK TYPE** | Operational Risk | | | |
| **RATIONALE** | May be an indicator of a weakening control environment or increased risk profile | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | No | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Operational Risk | SBNA Dir. of Operational Risk | SC Dir. of Operational Risk | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Dir. of Operational Risk | N/A | BSPR Dir. of Operational Risk | |
| **SSLLC** |  | | |
| SSLLC Dir. 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. Frequency of events > $50K in losses (BSI Miami only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **METRIC** | Number of operational risk events > $50K in losses, within a given quarter | | | |
| **RISK TYPE** | Operational Risk | | | |
| **RATIONALE** | May be an indicator of a weakening control environment or increased risk profile | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Director of Operational Risk | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | BSI Dir. of Operational Risk | N/A | |
| **SSLLC** |  | | |
| N/A |
| **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  **[CARRIED OVER FROM SHUSA LIMIT]**   * Based on the historical series of operational risk events with losses > $50K, 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.  Operational Risk Event is defined as a singular event that may have one or more loss impacts.   * Events > $50K 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 $50K. * Operational Risk Events that have one or more gross operational loss impacts greater than $50K 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 $50K, that have additional operational risk loss impacts reported in the current period are only included if the aggregate gross loss is greater than $50K. | | | |
| **TESTING FREQUENCY** | Quarterly.  No calculation necessary. Data extraction of Operational Risk Events with a Gross Operational Risk Loss Greater than $50K. | | | |
| **SOURCE OF INFORMATION** | * Data provided by : * Source System : * Data Provided : | | | |

1. Model risk metrics
   1. Backlog of Tier 1 models not appropriately approved

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **METRIC** | The number of legacy Tier 1 models used in production without appropriate approvals. | | | |
| **RISK TYPE** | Model Risk | | | |
| **RATIONALE** | Tracks progress against the schedule for clearing the large validation backlog; important given regulatory concerns about model risk management at SHUSA | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Model Risk Management | SHUSA Model Risk Management | SHUSA Model Risk Management | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SHUSA Model Risk Management | SHUSA Model Risk Management | SHUSA Model Risk Management | |
| **SSLLC** |  | | |
| SHUSA Model Risk Management |
| **TRIGGER AND LIMIT SETTING** | The metric is set with 6 months targets for validation of models linked to agreed remediation plans.  A breach of the metric occurs if the target is not reached within the allocated quarter. | | | |
| **TESTING FREQUENCY** | Monthly  No calculation necessary – the number of Tier 1 (highest risk) model used in production without appropriate approvals, as recorded in the MRMG database. | | | |
| **SOURCE OF INFORMATION** | The model inventory database is a Sequel Server backend, with InfoPath frontend forms where MRMG tracks all pertinent details associated to the model lifecycle. This includes:   * Model / non-model use detail * Approval dates * Validation history * Findings remediation detail * Change / decommissioning / reactivation requests * Ongoing monitoring issues * Policy exception detail * Annual review | | | |

1. Compliance and reputational risk metrics
   1. Number of Matters Requiring Immediate Attention (MRIAs)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The total number of open MRIAs issued by the Federal Reserve to all Santander entities operating in the US and over which the FRB has jurisdiction.  MRIAs are matters of significant importance and urgency that the Federal Reserve requires an organization to address immediately and include: matters that have the potential to pose significant risk to the organization’s safety and soundness; matters that represent significant instances of noncompliance with laws or regulations; repeat criticisms that have escalated in importance due to insufficient attention or action by the organization; and, in the case of consumer compliance examinations, matters that have the potential to cause significant consumer harm. | | | |
| **RISK TYPE** | Compliance / Reputational Risk | | | |
| **RATIONALE** | It is vital for SHUSA to restore the confidence of regulators and other external stakeholders; metric send a strong tone from the Board about focus on regulatory compliance | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Chief Compliance Officer | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | This metric has no amber trigger and the red limit is set at zero. | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | MRIAs are identified in Federal Reserve examination or inspection reports, supervisory letters or other supervisory communications and are recorded and tracked by SHUSA Regulatory Affairs in an Excel file. | | | |

* 1. Serviced for others monthly net charge-off rate

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Average monthly net charge-off rate for 12 trailing months for the SC serviced portfolios that management deems to exposure SC to reputational risk | | | |
| **RISK TYPE** | Compliance Risk | | | |
| **RATIONALE** | Performance of sold loans is important to monitor and manage because if NCO rates rise, this may harm SC’s ability to sell in the future | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | Yes | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Credit Risk Manager | N/A | SC Heads of Business | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The amber trigger and red limit for the metric have been set through expert judgment.  They are designed to enable management actions should a deterioration be identified in the NCO rate of serviced portfolios, as this represents a reputational risk to SC because higher than modeled monthly Net Charge-Offs results in a deterioration of returns for purchasers of prime loans. | | | |
| **TESTING FREQUENCY** | Monthly  Average of trailing 12 months Net Charge-Off Rates x 12  \*(Monthly Net Charge-Off Rates = Monthly Net Charge Off/Monthly Total Outstanding Balance)  Serviced-for-others portfolios currently include RBS and BANA portfolios | | | |
| **SOURCE OF INFORMATION** | Director of Portfolio Risk Management is responsible for production of the metric. Data for this metric is collected from Servicing. | | | |

* 1. CFPB Complaints

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | The CFPB 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. | | | |
| **RISK TYPE** | Compliance / Reputational Risk | | | |
| **RATIONALE** | Reflects SHUSA’s culture of focus on improving and maintaining a strong reputation amongst its clients where issues with service are addressed prior to necessitating a complaint to the CFPB | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| Yes | No | Yes | Yes |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Chief Compliance Officer | SBNA Chief Compliance Officer | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| SIS Chief Compliance Officer | N/A | BSPR Chief Compliance Officer | |
| **SSLLC** |  | | |
| SSLLC Chief Compliance Officer |
| **TRIGGER AND LIMIT SETTING** | Data from the CFPB website was analyzed for SBNA and its 11-bank peer group utilizing a 44-month sample.  Average number of complaints per month is 36 for the peer group when normalized for institution size  The RAS amber “trigger” limit was set to be the monthly peer group average.The RAS red “breach” limit was set to be the 3rd quartile figure of the peer group distribution. | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | The consumer complaints are pulled from the Consumer Financial Protection Bureau website (excel file) and the data is sorted for Santander Bank, N.A. See attached file, which includes the analysis. The following link is where the raw data export can be found: https://data.consumerfinance.gov/dataset/Consumer-Complaints/s6ew-h6mp | | | |

* 1. # of OCC enforcement actions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | OCC enforcement actions include Cease & Desist Orders, Civil Money Penalty Order, Notices Filed, Prompt Corrective Action Directives, and Securities Enforcement Actions. | | | |
| **RISK TYPE** | Compliance / Reputational Risk | | | |
| **RATIONALE** | It is vital for SHUSA to restore the confidence of regulators and other external stakeholders | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | Yes | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | No | ??? | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| SHUSA Chief Compliance Officer | SBNA Chief Compliance Officer | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | N/A | ??? | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | This metric has no amber trigger and the red limit is set at zero. | | | |
| **TESTING FREQUENCY** | Monthly | | | |
| **SOURCE OF INFORMATION** | OCC enforcement actions include Cease & Desist Orders, Civil Money Penalty Order, Notices Filed, Prompt Corrective Action Directives, and Securities Enforcement Actions. The OCC website shows most enforcement actions – see following link. http://apps.occ.gov/EnforcementActions/ | | | |

1. Fiduciary risk metrics (BSI Miami Only)
   1. Clients with missing profiles

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Proportion of clients with old or missing profiles relative to total clients with securities in portfolios | | | |
| **RISK TYPE** | Fiduciary Risk | | | |
| **RATIONALE** | This metric aids in monitoring clients with securities portfolios who have not been properly profiled and are receiving investment advice and is a key component of the BSI Suitability Model | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The Clients with missing profiles (%) trigger and limit are set as follows:   * Amber trigger: 5% * Red limit: 8%   Rationale for limit and trigger: Based on historical BSI data, 8% represents the maximum pending profiles after implementation of the corporate product commercialization controls (Plan Basico); the 5% trigger is a management judgment to correct deviations in time | | | |
| **TESTING FREQUENCY** | ??? | | | |
| **SOURCE OF INFORMATION** |  | | | |

* 1. Exceeded client investment profiles

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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 | | | |
| **RISK TYPE** | Fiduciary Risk | | | |
| **RATIONALE** | This metric aids monitoring to ensure that relationship managers execute Investment Advisory service within the contractually agreed client Investment profile | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The Exceeded client investment profiles (%) trigger and limit are set as follows:   * REQ:   + Amber trigger: 10%   + Red limit: 12% * EM concentrations:   + Amber trigger: 10%   + Red limit: 12%   Rationale for limit and trigger: Based on historical BSI data, the 12% represents a level of exceeded clients prior to implementation of Plan Basico. The 10% trigger is a management judgment to correct deviations in time | | | |
| **TESTING FREQUENCY** | ??? | | | |
| **SOURCE OF INFORMATION** |  | | | |

* 1. Pending purchase order documentation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | Purchase investment orders (POs) pending client signatures as a percentage of total POs on a trailing 18 month basis | | | |
| **RISK TYPE** | Fiduciary Risk | | | |
| **RATIONALE** | This metric aids monitoring to ensure client signatures are received for POs [in a timely manner].POs are mandatory documents requiring client approval for all non-discretionary transactions and includes relevant investment and suitability disclosures. BSI has reduced % of pending POs since 2014 via an aggressive | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The Pending purchase order documentation (%) trigger and limit are set as follows:   * Amber trigger: 7.5% * Red limit: 10%   Rationale for limit and trigger: The 10% limit represents an average between historical data and currents figures. The 7.5% trigger is a management judgment to correct deviations in time | | | |
| **TESTING FREQUENCY** | ??? | | | |
| **SOURCE OF INFORMATION** |  | | | |

* 1. Discretionary mandates: Aging of Excesses (months)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **DEFINITION** | 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) | | | |
| **RISK TYPE** | Fiduciary Risk | | | |
| **RATIONALE** | This metric ensures discretionary mandate concentration exceedances – determined by internal risk and contractual limits agreed to by the client – of the considered asset types (Equity and EM) are not allowed to age excessively | | | |
| **ENTITY** | **SHUSA** | **SBNA** | **SC** | |
| Yes | No | No | |
| **SIS** | **BSI Miami** | **BSPR** | **SSLLC** |
| No | Yes | No | No |
| **METRIC OWNER** | **SHUSA** | **SBNA** | **SC** | |
| ??? | N/A | N/A | |
| **SIS** | **BSI Miami** | **BSPR** | |
| N/A | ??? | N/A | |
| **SSLLC** |  | | |
| N/A |
| **TRIGGER AND LIMIT SETTING** | The Discretionary mandates: aging of excesses (months) trigger and limit are set as follows:   * Amber trigger: 60 days * Red limit: 90 days   Rationale for limit and trigger: Management judgment used to determine both trigger and limit | | | |
| **TESTING FREQUENCY** | ??? | | | |
| **SOURCE OF INFORMATION** |  | | | |

1. Document Administration
   1. Ownership and Authorship

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Owner** | **Change** |
| 1.0 | January 2016 | SHUSA Risk Appetite Team | SHUSA Risk Appetite Team | First SHUSA Risk Appetite Metrics Glossary |
|  |  |  |  |  |
|  |  |  |  |  |

* 1. Sign Off

|  |  |  |
| --- | --- | --- |
| **Approving Body** | **Governance Committee Approval or Endorsement** | **Final Approval Date** |
| SHUSA Director of Risk Appetite | N/A | January 28, 2016 |
|  |  |  |
|  |  |  |

1. APPENDIX 1 – Loss in Stress metric calculation

**Loss in Stress**

***Definition:*** The impact to Profit before Tax (“PBT”) that SHUSA is willing and able to assume. It is expressed as the percentage of the annual PBT that would be at risk based on an adverse stressed scenario affecting the relevant risks.



***US calculations of Loss in Stress[[20]](#footnote-20):***

* Calculation: The metric is calculated once a year, to coincide with CCAR full year. It is presented as the accumulated results over the full CCAR cycle.
* Stressed outputs: The metric uses the outputs from the CCAR FRB Base, Adverse and Severely Adverse[[21]](#footnote-21) scenarios, but is submitted to Santander Group based on the FRB Adverse outputs as this scenario is closest to ICAAP.
* Stress Horizon: The stressed impacts to the PBT scenarios will be calculated as per CCAR, allowing for 9 quarters of adjusted losses[[22]](#footnote-22).
* PBT: The PBT that is used in this metric calculation comes from the Strategic Plan for SHUSA as agreed with Santander Group[[23]](#footnote-23) under IFRS accounting. The impact to the income statement is calculated for each year as the sum of the stress tests described in items 2.1.1 to 2.1.6 below.
* Treatment of US specific “overlays”: The metric is presented with two calculations: (i) “fully loaded” US methodology that includes CCAR specific overlays to compensate for known weaknesses in certain models used for the projection of PPNR and credit provisions, and (ii) “normalised” to Group methodology by eliminating these overlays thus enabling comparison with other Group entities.

**Stress tests applied to the metric:** The metric stresses are divided into two categories: macroeconomic stresses and non-macroeconomic stresses. The methodology described below reflects the US calculation and, where applicable, the adjustments that are made to reconcile Group methodology to US practices.

***US Sign-off required for the metric calculation:***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Type of Stress** | **Metric Element** | **SBNA** | **SC** | **SHUSA** |
|  | **Strategic Plan PBT** | SHUSA Finance Capital Planning | SHUSA Finance Capital Planning | SHUSA Finance Capital Planning |
| **Macroeconomic Stress** | **PPNR**  **Baseline & Stressed** | SHUSA Finance Capital Planning –  Strategic Plan and CCAR Output | SHUSA Finance Capital Planning –  Strategic Plan and CCAR Output | SHUSA Finance Capital Planning –  Strategic Plan and CCAR Output |
|  | **PPNR Overlays** | SBNA Solvency & SHUSA Financial Capital Planning –  CCAR output | SHUSA Financial Capital Planning –  CCAR output | SHUSA RAS team –  Sum of SBNA and SC |
| **Macroeconomic Stress** | **Provisions** | SBNA Solvency & SHUSA Finance Capital Planning –  CCAR Output | SHUSA Finance Capital Planning –  CCAR Output | SHUSA RAS team –  Sum of SBNA and SC |
|  | **Provisions Overlays** | SBNA Solvency & SHUSA Financial Capital Planning –  CCAR output | SHUSA Financial Capital Planning –  CCAR output | SHUSA RAS team –  Sum of SBNA and SC |
| **Macroeconomic Stress** | **Stressed Concentration GBM** | SHUSA & SBNA Solvency | N/A | SHUSA & SBNA Solvency |
| **Non-macroeconomic stress** | **Stressed VaR** | Market Risk SHUSA | Market Risk SHUSA | Market Risk SHUSA |
| **Non-macroeconomic stress** | **Stressed CVA** | Market Risk SHUSA | N/A | Market Risk SHUSA |
| **Non-macroeconomic stress** | **Operational Risk Stressed Losses Overlay** | SHUSA Operational Risk and Finance Capital Planning –  CCAR Output | SHUSA Operational Risk and Finance Capital Planning –  CCAR Output | SHUSA RAS team –  Sum of SBNA and SC |

* + 1. **Stressed pre-provision net revenue (PPNR)**

***Definition:*** This metric reflects the incremental negative variation in PPNR in a stressed scenario, over and above the baseline case.

The scenarios used are those defined in the CCAR scenarios for SHUSA, SBNA and SC. CCAR methodology is applied to stress PPNR and reflects the sensitivity of PPNR to changes in interest rates, the increase / decrease of total asset and liability levels, price changes in assets and liabilities as well as other relevant Balance Sheet management items such as accelerated leases depreciation.

***Group reconciliation for PPNR***: US PPNR stresses include the following items that are excluded from the Group Calculation of stressed PPNR: Operational Risk Expense and accelerated auto lease depreciation. These items are adjusted as follows to enable a “normalized” Santander Group calculation.

1. The operational risk expense that is included in CCAR as a line item in PPNR is added back to PPNR using the average for the 9 quarters and annualizing. This adjustment is applied to SHUSA, SBNA and SC. The amount is taken from the PPNR projection sheet for each entity. This is done because the Loss in Stress calculation for Group requires that operational risk stress be itemized separately, taking only the incremental change to operational risk losses.
2. The annualized accelerated auto lease depreciation is added back to PPNR for SBNA, SC and SHUSA.

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Stressed pre-provision net revenue | | |
| **ENTITY** | SHUSA | SBNA | SC |
| YES | YES | YES |
| **CALCULATION** | Incremental PPNR losses under adverse scenario to baseline using CCAR methodology.  Detailed calculation procedures are available from the Finance Capital Planning team and CCAR teams. | | |
| **FREQUENCY** | Annual CCAR full year | | |
| **SOURCE OF INFORMATION** | CCAR Y14-A and Strategic Plan  SHUSA, SBNA and SC Finance Capital Planning and CCAR teams | | |

* + 1. **Stressed credit provisions**

***Definition:*** This stress covers the increase in provisions for credit risk in a stressed scenario over and above the base case. The scenarios used are those defined in CCAR and the methodology is applied to obtain stressed provisions projections.

***Group reconciliation for Provisions:*** The provisions adjustments detailed below are applied under US CCAR methodology. They are deducted from provisions and added back to PPNR to enable a “normalized” Santander Group calculation.

|  |
| --- |
| ***SBNA*** |
| ***Model Error Adjustments (Statistical)*** |
| * + - *Mortgages* |
| * + - *Home Equity* |
| * + - *Credit Cards* |
| * + - *Consumer other* |
| * + - *Business Banking* |
| * + - *Auto finance* |
| * + - *Auto leases* |
| * + - *C&I* |
| * + - *CRE Multifamily* |
| * + - *CRE Other* |
| ***Management Adjustments (expert judgment & others)*** |
| * + - *Credit Cards Management Adjustment* |
| * + - *MRG/MRL 1 counterparty default (stress 2.1.3)* |

|  |
| --- |
| ***SC*** |
| ***Model Error Adjustments (Statistical)*** |
| * + - *Credit Loss Model Uncertainty* |
| * + - *Lease Residual Value Uncertainty* |
| * + - *Auto portfolio:*       * *Losses for vintages with poor performance expectation*       * *Loss expectations in early period of forecast*       * *Adjustment to auto recovery rate projections* |

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Stressed credit provisions | | |
| **ENTITY** | SHUSA | SBNA | SC |
| Yes | Yes | Yes |
| **CALCULATION** | Incremental provisions under the FRB Severely Adverse scenario to FRB Baseline.  Detailed calculation procedures, including overlay methodology and output where applicable, are available from the SBNA and SC CCAR Solvency functions. | | |
| **FREQUENCY** | Annual, CCAR full year | | |
| **SOURCE OF INFORMATION** | CCAR Y14-A and Strategic Plan  SBNA and SC CCAR Solvency functions | | |

* + 1. **Stressed counterparty concentration risk**

***Definition:*** A stressedloss management adjustment applied to the Global Banking and Markets (GBM) Corporate portfolio.

***Group reconciliation – US adjustments to Counterparty concentration:*** The MRG/MRL 1 counterparty default management adjustment applied by SBNA to CCAR is added back to PPNR and replaced by an expert judgment adjustment that is informed by a stressed PD calculation on all SBNA GBM counterparties.

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Stressed Concentration Risk GBM (loss in stress) | | |
| **ENTITY** | SHUSA | SBNA | SC |
| Yes | Yes | N/A |
| **CALCULATION** | The individual total exposures[[24]](#footnote-24) of GBM counterparties (excluding Financial Institutions) together with their industry/sector classification and their internal rating are uploaded to an excel spreadsheet.  A stressed PD calculation is run, based on the Santander Group PD global rating model. The output of this calculation is used to inform the expert judgment adjustment for GBM concentration risk. | | |
| **FREQUENCY** | Quarterly, based on the quarter end list of GBM counterparties. | | |
| **SOURCE OF INFORMATION** | SBNA Solvency | | |

* + 1. **Stressed Value at Risk (“VaR”)** 
       1. **Banking Book**

***Definition:*** Stress based on plausible scenarios that assume that trading positions and portfolios will not be held to maturity but rather that they will be reduced over the course of 1 to 3 months.

The stress on trading portfolios includes the impact to the income statement of (i) a period of losses due to adverse market movements and (ii) a scenario of poor P&L results after the asset / trading position reductions have occurred:

1. ***Period of losses.*** Using Group Stressed VaR methodology, these are the losses in trading positions resulting from an adverse scenario, caused by market movements on a time horizon of between 1 and 3 months, with a confidence level of 98.3%, equivalent to a cumulative probability of 1/60 (1 month every 60 months or 1 month every 5 years).
2. ***Payback period*** in which the impact associated with a lower level of assets / income to that included in the Business Plan results in a 'poor' recovery of the income over the remaining 9 to 11 months. The "poor" performance calculation is based on a historical series of results (the average of below budget actuals over, at a minimum, the previous five years).

The time horizons for the payback periods are defined by the SHUSA Market Risk team.

As this is not a stress associated to the severity of macroeconomic scenarios, the impact applied to each of the 2 years will be the same for each year.

*NOTE: Due to systems constraints, SC will only calculate VaR, unstressed. SBNA and SHUSA will implement the Stressed VaR metric.*

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Stressed Value at Risk (“VaR”) Banking book | | |
| **ENTITY** | SHUSA | SBNA | SC |
| Yes | Yes | Yes |
| **CALCULATION** | VaR Model in use and validated. Model documentation and metric calculation procedures are available from the SHUSA Market Risk Management function. | | |
| **FREQUENCY** | Monthly | | |
| **SOURCE OF INFORMATION** | SHUSA Market Risk | | |

* + - 1. **Trading Book**

***Definition:*** Stress based on plausible scenarios that assume trading positions and portfolios will be traded regularly.

This metric is under discussion for the US RAS, but will be calculated on a monthly basis for reporting purposes to Santander Group.

As this is not a stress associated to the severity of macroeconomic scenarios, the impact applied to each of the 2 years will be the same for each year.

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Stressed Value at Risk (“VaR”) Trading Book | | |
| **ENTITY** | SHUSA | SBNA | SC |
| Yes | Yes | Yes |
| **CALCULATION** | VaR Model in use and validated. Model documentation and metric calculation procedures are available from the SHUSA Market Risk Management function. | | |
| **FREQUENCY** | Monthly | | |
| **SOURCE OF INFORMATION** | SHUSA Market Risk | | |

* + 1. **Stressed Credit Valuation Adjustment (“CVA”)**

***Definition:*** This stress measures, through the application of an LGD stress (Group stress set at 60% of stressed CVA), the incremental CVAs in a stressed scenario with respect to the base line.

As this is not a stress associated to the severity of macroeconomic scenarios, the impact applied to each of the 2 years will be the same for each year.

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Stressed Credit Valuation Adjustment (“CVA”) | | |
| **ENTITY** | SHUSA | SBNA | SC |
| Yes | Yes | N/A |
| **CALCULATION** | CVA Stress Model in use and validated. Model documentation and metric calculation procedures are available from the SHUSA Market Risk Management function. | | |
| **FREQUENCY** | Monthly | | |
| **SOURCE OF INFORMATION** | SHUSA Market Risk | | |

* + 1. **Operational Risk Stress**

***Definition:*** The Operational Risk loss estimate from CCAR submission.

The CCAR calculation has 3 main components:

1. The starting point of the baseline estimate is the average observed historical gross loss determined from internal loss data for each Basel Tier One risk event type.
2. Because the historical average (HA) is a backward looking metric it must be augmented by a Scenario Analysis (SA) process that reflects the firm's forward looking risk profile. This is achieved by comparing the HA with the estimate from SA by entity and risk type. If the SA estimate is larger than the HA, the difference is added to the HA result in the form of an add-on.
3. Additionally there is the contribution from legal reserves. Legal reserves are set via a third-party evaluation of the probable, possible and remotely possible outcomes of outstanding litigations. The baseline estimate is the sum of the HA, SA Add-on and the probable expected legal losses.

The severely adverse scenario includes a management overlay in the form of a heuristically derived scaling component estimated from external loss data that is used to scale the baseline HA and SA-Add on for each risk type and entity. In particular, the putative Legal Reserves include the expected losses for those cases deemed possible and an idiosyncratic loss scenario is also included for each legal entity.

|  |  |  |  |
| --- | --- | --- | --- |
| **METRIC** | Operational Risk Stress | | |
| **ENTITY** | SHUSA | SBNA | SC |
| Yes | Yes | Yes |
| **CALCULATION** | Operational Risk Stress Model in development and subject to validation. Calculation as described above. Output of model is used to inform an expert judgment adjustment. Documentation available from the SHUSA Operational Risk function. | | |
| **FREQUENCY** | Annual | | |
| **SOURCE OF INFORMATION** | CCAR Y14-A and Strategic Plan  SHUSA, SC and SBNA Operational Risk functions | | |

1. Calculation methodology must be fully auditable. This glossary includes the necessary references to documents, data repositories, etc. as required for the calculation of the metric. [↑](#footnote-ref-1)
2. The 2015 Risk Appetite Statement calibration was based on T1RBC (as opposed to other capital ratios), because it was found to be the most binding constraint under the most recent CCAR run (2015) – i.e., the 9Q minimum for T1RBC under the BHC Stress scenario left a smaller buffer between the capital amber and red limits than that of the other ratios. **Each CCAR run will have to establish the capital ratio that reflects the “most binding constraint” and use that as a basis for the allocation of capital surplus amber/red.** [↑](#footnote-ref-2)
3. Exact allocation of credit losses and PPNR impairment is calculated in the RAS excel file for SHUSA, tab “SHUSA Capital Worksheet” [↑](#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. 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-5)
6. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#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)
10. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-10)
11. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-11)
12. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-12)
13. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-13)
14. “PFE”: “potential future exposure” for derivatives. “REC”: Spanish acronym for “Riesgo en Crédito”, equivalent to PFE in the context of derivative exposures. [↑](#footnote-ref-14)
15. The 2015 Risk Appetite Statement calibration was based on T1RBC (as opposed to other capital ratios), because it was found to be the most binding constraint under the most recent CCAR run (2015) – i.e., the 9Q minimum for T1RBC under the BHC Stress scenario left a smaller buffer between the capital amber and red limits than that of the other ratios. Each CCAR run will have to establish the capital ratio that reflects the “most binding constraint” and use that as a basis for the allocation of capital surplus amber/red. [↑](#footnote-ref-15)
16. 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-16)
17. **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-17)
18. For a detailed description of the non-maturity deposit model used by SHUSA please refer to the **Appendix IV** to this Policy. [↑](#footnote-ref-18)
19. Exact allocation of credit losses and PPNR impairment is calculated in the RAS excel file for SHUSA, tab “SHUSA Capital Worksheet” [↑](#footnote-ref-19)
20. ***Group Calculation:*** The metric is calculated twice a year: to coincide with ICAAP full year and with the half year refresh. The metric is calculated for each year over a 3 year horizon, aligned to the ICAAP process, as the ratio of the incremental impact to the income statement of the stress scenarios (incremental losses in an adverse stress scenario with respect to the baseline scenario) against the PBT included in the strategic business plan for each year. The impact to the income statement is calculated for each year as the sum of the stress tests described in items 2.1.1 to 2.1.6 below. The value of the metric corresponds with the worst year of the 3 projected years. The projected PBT is the one included in the annual 3 year Strategic Business Plan (e.g. P-18) as provided by the Strategic Capital Planning team. [↑](#footnote-ref-20)
21. FRB Severely Adverse is chosen to benchmark the Risk Appetite Statement metrics because it remains relatively consistent over time, whereas the current design of the BHC scenarios, although more reflective of idiosyncratic elements of the SHUSA consolidated risks, can vary in intensity at each calculation. The results of FRB scenarios are publicly available, thus providing external stakeholders with a relevant comparison for SHUSA against the market.

    [↑](#footnote-ref-21)
22. SHUSA Finance intends to implement stress testing based on internally designed stress scenarios and that will run to a full three year stress. Once this is implemented (dates to be advised) the Loss in Stress metric will also cover 3 years as per Santander Group guidance, and scenarios can be tailored to the Board requirements [↑](#footnote-ref-22)
23. Best efforts will be made to record any differences between the Strategic Plan PBT (e.g. IFRS vs US GAAP, asset volumes) and the CCAR PBT. [↑](#footnote-ref-23)
24. Exposure in the context of credit metrics refers to the sum of: Committed facilities (drawn and undrawn) + drawn under uncommitted facilities + off balance sheet items (e.g. Letters of Credit) + PFE 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. [↑](#footnote-ref-24)