

**Group Risk Appetite metrics**

**Collection and reportinG madrid**

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2. Introduction
   1. Purpose of the document

The Group Risk Appetite (“RA”) metric collection document for Madrid details how the Santander Holdings USA, Inc. (“SHUSA”) team collects and reports risk appetite metric data from each US Risk Appetite Team (“RA team”) for SHUSA, SBNA and SC for the quarterly Risk appetite report for Madrid.

* 1. Scope and Maintenance

This process applies to the SHUSA RA team and is owned and maintained by the SHUSA Director of Risk Appetite. This document should be updated as needed in the event of changes to the process listed out in this document or if there are any changes to the Risk appetite Statement.

1. Santander Group RAS reporting process
2. The SHUSA RA team submits a **quarterly** risk appetite report to Santander Group:

1. The template for the report is provided by Group RA Global Team, and is filed in the SHUSA RA team shared drive.

*\\corpormabop3\docs\EWRMG\Dept\SHUSA Risk Appetite Statement\2. Reporting\Madrid RAS Reporting*

1. The Group RA report must be completed and sent to Madrid by the 10th calendar day of the second month after quarter end (i.e. March quarter end will be submitted by May 10th) (section 3.6). The final report is filed in *\\corpormabop3\docs\EWRMG\Dept\SHUSA Risk Appetite Statement\2. Reporting\Madrid RAS Reporting* under the related quarter due.
2. The metrics detailed in section 3.1 are taken by the SHUSA RA team from the SHUSA Monthly RA report that can be found in *\\corpormabop3\docs\EWRMG\Dept\SHUSA Risk Appetite Statement\2. Reporting\RAS monthly reporting*
3. The metrics detailed in section 3.2 are provided to the SHUSA RA team by the SHUSA risk managers, and are due one week before the deadline for report submission to group. The submissions are filed in folder under the quarter that is being provided to Madrid. *\\corpormabop3\docs\EWRMG\Dept\SHUSA Risk Appetite Statement\2. Reporting\Madrid RAS Reporting*
4. The metrics detailed in section 3.3 are calculated by the SHUSA RA team based on the information submitted by other SHUSA functions. The calculations are filed in *\\corpormabop3\docs\EWRMG\Dept\SHUSA Risk Appetite Statement\2. Reporting\Madrid RAS Reporting* under the quarter being sent.
5. The SHUSA RA team submits **monthly** and **quarterly** RAS breach monitoring and escalation reports to Santander Group as detailed in section 3.5. Both templates for the reports are filed in *\\corpormabop3\docs\EWRMG\Dept\SHUSA Risk Appetite Statement\2. Reporting\Madrid RAS Reporting\Escalation reporting.* The final report is filed in the same folder *\\corpormabop3\docs\EWRMG\Dept\SHUSA Risk Appetite Statement\2. Reporting\Madrid RAS Reporting\Escalation reporting*
6. All Metrics reported to Santander Group – Quarterly reporting

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

* 1. Collection of SHUSA monthly report data

These metrics and their values are found in the SHUSA monthly RAS report and are included unchanged into the Group template.

|  |  |
| --- | --- |
| **RISK APPETITE MONTHLY METRICS** | |
| **Losses Volatility** | Loss in stress/Profit before taxes |
| Gross Operational Risk Losses/Gross Margin |
| **Solvency** | CET 1 under Base |
| CET 1 under Stress |
| CET 1 current |
| Tier 1 leverage Stress |
| Tier 1 leverage current |
| **Liquidity** | Structural Funding Ratio |
| SC - Available committed liquidity/average projected net originations |
| Survival Horizon under Stress |
| Liquidity Coverage Ratio |
| **Concentration** | Max individual exposure with clients with rating <5.0 |
| SC sub-prime assets over SHUSA Net Credit Exposure |
| SC RWAs/CET1 - 11% of CET1 |
| **Qualitative Elements** | SHUSA - Frequency of material Operational events >$200k in potential losses |

|  |  |  |
| --- | --- | --- |
| **METRIC COMPLETED BY RISK TEAM** | | **COLLECTION** |
| **Losses Volatility** | Net operational losses/Gross margin | Provided by Katie Eckhoff.  The metric value will be provided at the same time as Katie provides us with the quarterly value of Gross operational risk  SHUSA RA team inputs to Group template. |
| **Concentration** | GCB concentration | Brian Flatley provides us with the entire Group template slide completed for GCB. |
| **Liquidity** | Stressed Survival Period: Local Systemic | The Group template slide will be completed by the following managers:   * Cesar Ibares * Jorge Segura and Roberto Severino |
| Stressed Survival Period: Idiosyncratic |
| Stressed Survival Period: Systemic Global |
| Trading Portfolio |
| CVA |

* 1. Collection of Group metric calculation from managers

To complete the group RAS quarterly report, several additional metrics are calculated by SHUSA. Each risk type manager is responsible for providing the information as described below.

* 1. Collection of additional information

The quarterly Group RAS report includes certain concentration metrics that are included in the SHUSA RAS but require additional or different calculations in order to comply with Madrid’s guidelines and reporting.

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| **METRICS CALCULATED BY RA TEAM** | | **ADDITIONAL INFORMATION** |
| **Concentration** | Single name | Divide single obligor by Shareholder equity of June 2015  Shareholder equity number can be found in the Master Data Spreadsheet |
| Top 5 | With the document sent by Madrid (attached here), we need the breakdown of CET1 to get the value of Capital SHUSA CET1 and the value of Risk weighted assets where we can find it in the link of SHUSA summary trend[[1]](#footnote-1). |
| Top 20 | Ask Brian Flatley to provide the SBNA Top customer report |
| Max. industry concentration over: Total Portfolio\* | Khan, Sharique provides SBNA industry limits  Eric Nagy provides SBNA Total exposure |
| Max. industry concentration over: Total Portfolio excl. retail\* | Eric Nagy provides SBNA Total exposure excluding Retail |
| CRE ($10.5 B) |
| Multifamily ($10.5 B) |

\*Each quarter reporting calculations for both Total portfolio (excl retail and including retail) are held constant to June 2015 portfolio value.

* 1. Preparing the Group RA report

With the information gathered from the risk managers, risk teams and the RA monthly report, the SHUSA RA team can complete the Quarterly metrics template provided by Group.

* 1. RECAST Group RA

In the case that any metric value is recast and therefore updates the value of any quarterly metric in the report, we will resend the quarterly report to Madrid with the updated values.

Any monthly breach metrics that are recast will be reflected in the following monthly breach report mentioning the updated value(s).

* 1. **Breach Escalation**

A monthly breach inventory document will be submitted to Group with the breaches from the group metrics from the US RAS. In the monthly breach escalation report there will be columns to explain the initial figure breach value, the current value, the breach rational among other details.



A quarterly document is submitted with a list of quarter end breaches from the Group RAS.



* 1. Submission of Group reporting

All reports are submitted via email to Francisco Javier Moro [fjmoro@gruposantander.com](mailto:fjmoro@gruposantander.com) and Luis Sanz Extremera [lsanzextremera@gruposantander.com](mailto:lsanzextremera@gruposantander.com).

1. Document History and Version Control
   1. Ownership and Authorship

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| --- | --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Owner** | **Change** |
| 1.0 | November 2015 | Risk Appetite Function | Risk appetite team | First Collection document |
| 2.0 | Jan 2015 | Risk Appetite Function | Risk appetite team | Escalation documents |
| 3.0 | Jan 2015 | Risk Appetite Function | Risk appetite team | (Beatriz correction) Explanations of each section |
| 4.0 | Feb 2015 | Risk Appetite Function | Risk appetite team | RECAST |
| 5.0 | Feb 2015 | Risk Appetite Function | Risk appetite team | Specify monthly breaches for group metrics |

1. <http://webmossrfs.mx.sov.corp/Policies%20Procedures%20and%20Templates/Forms/AllItems.aspx?RootFolder=%2FPolicies%20Procedures%20and%20Templates%2FRegulatory%20Capital%2FCapital%20Trend%20Summary&FolderCTID=0x012000661B38C92AD17A448762D999E5E49578&View=%7b61C30055-D3FE-40BE-89E7-B855B2FB3005%7d> (access required) [↑](#footnote-ref-1)