

SHUSA Board July 30, 2015

Risk Appetite Redevelopment

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What is a Risk Appetite Statement?

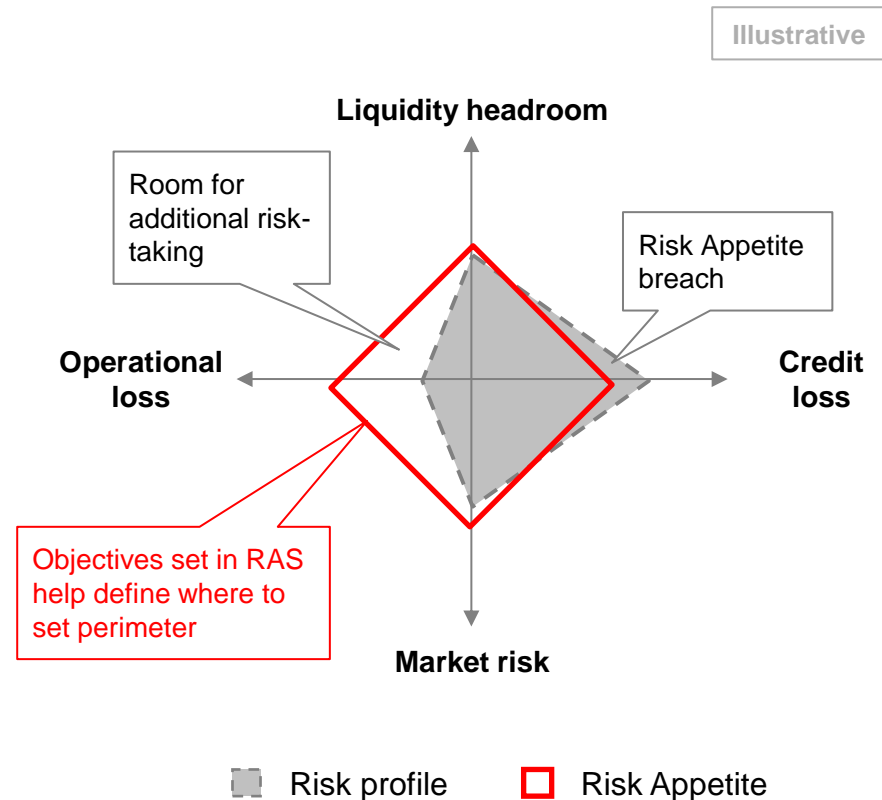
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Risk Appetite Statement (“RAS”) is a Board approved, comprehensive written expression of SHUSA’s Risk Appetite and reflects the aggregate levels and types of risk SHUSA is willing to accept, either directly through its activities as a holding company or on a consolidated basis through the business activities of its Subsidiaries, in order to achieve its business objectives as defined in its Strategic Business Plan.

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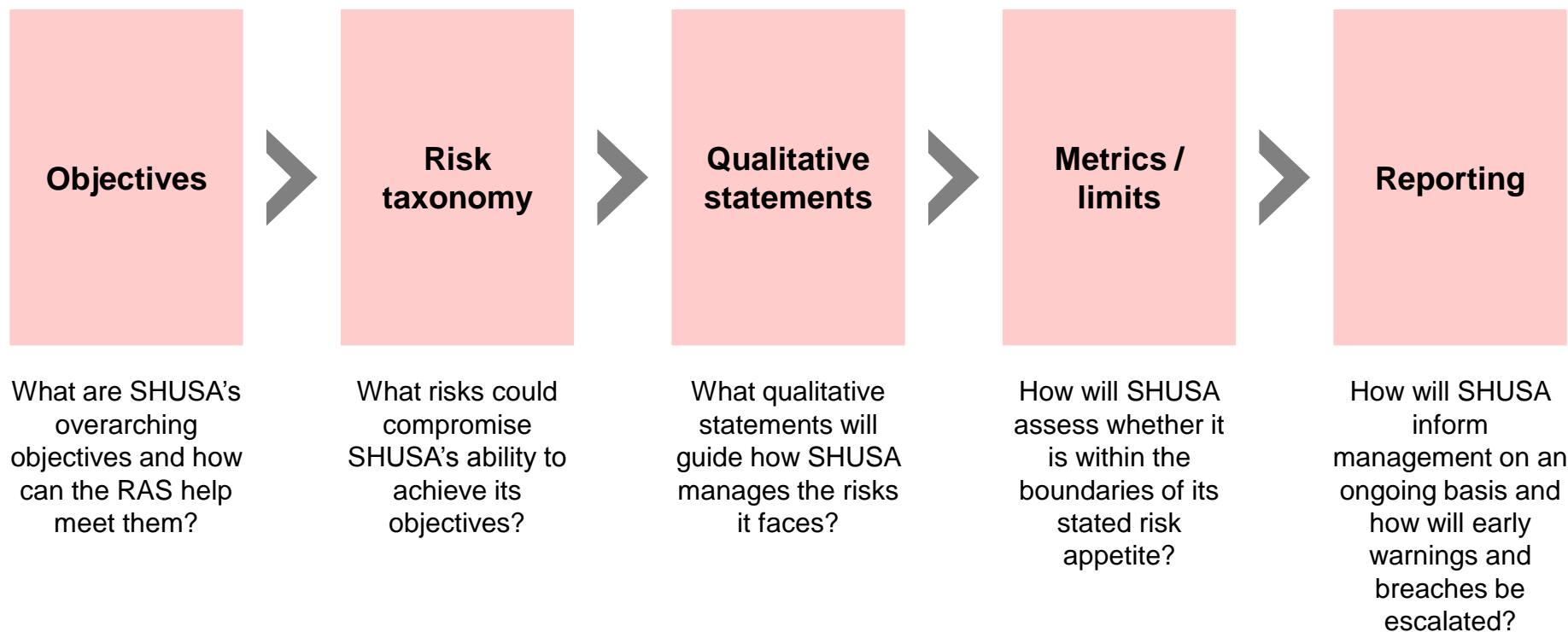
– SHUSA Risk Appetite framework, May 2015

Risk Appetite sets the perimeter for risk taking

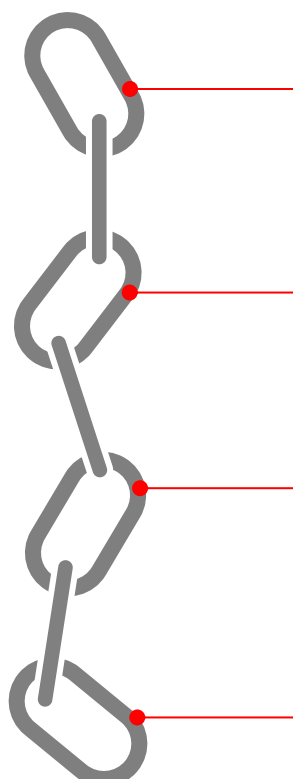


What is the process for redeveloping SHUSA's RAS?

Work approach and document structure



SHUSA RAS should be anchored in specific objectives for risk taking



Objectives	Manifestation in RAS
A Meet regulatory constraints	<ul style="list-style-type: none"> • Capital: Ensure post-loss capital ratios in CCAR analysis are at or above limits • Liquidity: Ensure cash flow profile keeps LCR at or above limits
B Sustain confidence of external stakeholders (e.g., rating agencies)	<ul style="list-style-type: none"> • Ensure characteristics of the balance sheet, earnings and business profile (e.g., asset quality, liquidity, concentrations) are consistent with stakeholder expectations for prudent risk management
C Minimize risks that do not generate incremental earnings	<ul style="list-style-type: none"> • Establish Board-level expectations for processes and controls in place for non-financial risks (e.g., no tolerance for breaches of code of conduct)
D Comply with Group-level Risk Appetite expectations	<ul style="list-style-type: none"> • Include metrics and adhere to limits agreed with Group, as applicable to SHUSA's business

The statements, metrics and limits in the RAS should enable the Board to ensure these overarching objectives are upheld

The proposed risk taxonomy for the SHUSA Risk Appetite Statement is based on the Enterprise Risk Management Framework



Over the next 12 months, we plan to redesign the Top-level RAS, cascade it to SBNA and SCUSA and strengthen embedding

