

Chief Risk Officer Ashwani Aggarwal Welcomes You to Risk Week



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*Reporter's Note: This week is Risk Pro week across Santander's global footprint. The annual focus helps shine a spotlight on the importance of getting everyone involved in the daily responsibility of prudent risk management. In preparation for the week, I spoke with Chief Risk Officer **Ashwani Aggarwal** about SanUS' robust risk and compliance programs and the importance of staying vigilant.*

During a recent Tim Talk, you mentioned the tremendous progress we have made on the regulatory front. What does this mean for the US team, and how can we sustain the progress?

For years, Santander has been working diligently to resolve legacy risk issues. Until we did so to the regulators' satisfaction, our business activities were somewhat restricted, and we were focused primarily on remediation with limited opportunities for growth.

In recent years, we've made tremendous progress closing gaps, strengthening our controls, and developing sound risk management practices.

Through the outstanding efforts across all lines of defense, I can say that these regulatory issues have been substantially addressed and any restrictions on our business activities have been lifted and many of our risk management and compliance frameworks are now considered best-in-class for the first time ever in the history of our company.

This means that we can now focus on growth initiatives like becoming a full-spectrum auto lender through the One Auto initiative, expanding our CIB business and our digital transformation.

To sustain this progress, we have to maintain the same level of rigor that brought us to where we are today. We cannot slide backwards.

Issues will arise, but it is our responsibility to follow the robust processes we've put in place, continue to self-identify issues and remediate in a timely manner.

A pending recession has dominated the news for quite some time. How are we preparing for it, particularly in the aftermath of recent bank failures?

Although inflation has cooled from its record high of 9.1%, it remains far higher than the Fed's 2% target.

The Fed is hinting at more interest rate hikes to stymie the amount of money circulating through the economy and to create lower demand (and prices) for goods and services.

Despite low unemployment and money remaining in the system from the \$5 trillion dollars of federal aid pumped into the economy during the COVID crisis, consumers are beginning to curb their buying habits. Cars, homes, and other big-ticket purchases are difficult to afford.

There is a good probability of a mild recession in the first half of 2024.

As part of our mitigation activities, we actively monitor and update our recession playbook and are proactively working with our customers in specific segments. For example, in Auto, we implemented a pilot project, Repossession Alternative Modification (RAM), that involves reaching out to customers with historically good payment histories who are now struggling. We're helping them retain their vehicles by giving them favorable interest treatments that can make it easier for them to pay on their loan.

Overall, we are well-positioned to weather any downturn due to a strong capital base—which is among the highest in the industry—prudent liquidity management practices and our strong risk and compliance framework. These differentiate us from the recently failed banks that had very weak liquidity and capital positions. Their customers lost confidence, causing a run on deposits, the majority of which were uninsured.

What message do you have to all employees—even those outside of Risk and Compliance—about risk ownership and accountability?

Everyone is a risk manager. That is my mantra and always has been. We need to continue embedding risk management in our culture.

Think of risk management in the same way as you accept risk ownership and responsibility in your home. Every time you plan for substantive changes to your home, you identify potential risks and take measures to mitigate or eliminate them.

It's the same mindset here. Be proactive in identifying and reporting risks. Our second line risk and compliance teams and third line audit team are here to help you navigate them and avoid them in the future.

Risk is everyone's job.

What does this week-long focus say about the importance of Risk at Santander, and how can we ensure visibility all year long?

First, this week allows us to pause and recognize the hard work our teams across the organization have done to raise our risk program to exemplary status. We want to celebrate their achievements.

Second, we're communicating the importance of the continued evolution and adaptation of our framework in line with the changes the bank is making during this period of rapid growth. As we pivot toward digitization, we will take on more responsibility, addressing and managing new risks that will emerge.

We've come so far on this risk journey. Now is the time to remain vigilant and embody I AM Risk—Identify, Assess, Manage and Report.

What sets our Risk program apart from those of other organizations?

Our people are our greatest asset. The Risk and compliance team members—and employees across the company—care about the success of our organization and go above and beyond every day. Everyone is demonstrating an unparalleled dedication to excellence that is inspiring. We owe our success to the entire team.

Please join us for these Risk Pro Week activities:

*Ask Ana on Wednesday, June 21 at 10 a.m. ET (9 a.m. CT): Group CEO **Hector Grisi** and Group Chief Risk Officer **Mahesh Aditya** will join Santander Group Executive Chairman **Ana Botín**. The event will be livestreamed. **Thursday, June 22 at 2 p.m. ET (1 p.m. CT):** Risk and Compliance Town Hall (for Risk and Compliance team members). **Available now:** The new online e-Zine for Risk and Compliance that includes an interview with **Mahesh**. **Daily:** Read about our Risk Heroes on The Source.*