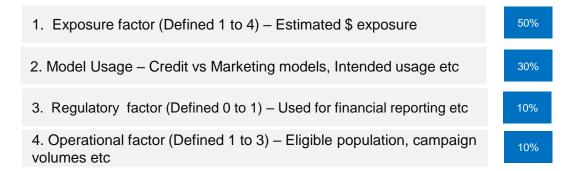
Model Materiality Risk Tiering

Materiality defined on basis of weighted average of 4 key levers to define Low, Medium or High Materiality Risk Tiering for Model



Exposure Factor

Based on bank's risk weighted assets proportion

Regulatory Factor

1 if model is used for regulatory reporting (AML etc)

Operational Factor

Volumes and operational costs based 1 to 3 score

Model Usage Based Scores

- 1. Financial Accounting & Regulatory Reporting AML, CCAR Capital Requirements etc (1)
- 2. Risk Models Credit Scoring Models, Fraud, Income, Line Assignment Models (0.5)
- 3. Collections & Recovery Models, Pre-approved credit product response models (0.5)
- 4. Pricing Models for credit products (0.5)
- 5. Email marketing models cross sell, upsell etc (product eligibility approved by risk) (0.1)
- 6. Deposit product models (0.1)

How does it stack up for Personas risk scorecard

Materiality defined on basis of weighted average of 4 key levers to define Low, Medium or High Materiality Risk Tiering for Model

Model Materiality – High		
 Exposure factor (4 levels) – Estimated \$ exposure 	50%	4/4 X 50% = 0.5
Model Usage – Credit vs Marketing models, Intended usage etc	30%	0.5 X 50% = 0.25
 Regulatory factor (Defined 0 to 1) – Used for financial reporting etc 	10%	0 X 10% = 0
4. Operational factor (Defined 1 to 3) – Eligible population, campaign volumes etc	10%	1 X 10% = 0.1



0.85 or 85%