

Name	Validation and Monitoring of Models Sub-Commission		
Objectives	<p>Follow-up the performance and confirm the validity of the rating systems and models used by the Bank within the scope of the risks management functions (e.g. PD, LGD, CCF, market risks, ICAAP, etc.), informing the Risk Commission on their adequacy and proposing alterations whenever applicable to improve the performance of the models being used.</p> <p>Monitor the results of the assessment of the model's risk and decide on specific measures for their mitigation.</p>		
Frequency	Quarterly		
Members	Executive Directors	Other members with voting right	Guests
	<p>– CRO</p> <p>Any other executive director may, whenever he/she sees fit, participate in the Commission</p>	<p>– GAVM (secretary)</p> <p>– CRD</p> <p>– RATD</p> <p>– ROFF</p> <p>– TMID⁽¹⁾</p> <p>– MRM Owner</p> <p>– Model Owner(s)⁽¹⁾</p> <p>– Model Validator(s)⁽¹⁾</p> <p>The members will be able to propose to the directors part of the sub commission, a representative to replace them in case of impediment. This representative, if not rejected and is a senior manager, will be entitled to vote.</p>	<p>– AUD (as an observer not entitled to vote)</p> <p>Other employees of the Bank may eventually be invited due to their relevance for the subjects under debate.</p> <p>Such employees will only participate in the meeting during the items that have justified the invitation.</p> <p>Whenever the guests report directly to the Board of Directors or are members of the Senior Management they will be entitled to vote.</p>
Minimum quorum for decision	– CRO	Two members with voting right.	
Delegation of Powers	<ul style="list-style-type: none"> In accordance with the powers conferred by the EC on 23/10/2018, within the scope of article 36, c) and e), of the Bank's Articles of Association, the Validation and Monitoring of Models Sub Commission binds the Bank before third parties provided that the respective resolutions are part of the scope of the functions and competences defined in these regulations. Always observing the internal regulations that apply to this sub-commission and member divisions, are delegated to it the powers necessary for the performance of the respective functions and the inherent competences that the Board of Directors have not reserved for itself or for the Audit Committee, for the Committee for Risk Assessment, for the Committee for Nominations and Remunerations and for the Committee for Corporate Governance, Ethics and Professional Conduct. The delegation foreseen in the previous paragraphs is subject to the condition that none of the executive directors attending this sub Commission decides that the subject should be submitted to the Risk Commission or to the Executive Committee for resolution. 		

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Resolutions	<ul style="list-style-type: none"> Only the executive directors attending the meeting and the members of the sub commission with voting right will be entitled to vote. The decisions made by the Sub-Commission are made by simple majority of the votes of the members attending the meeting. Any executive director attending the meeting may suspend the assessment of the an item under debate in the sub-commission and submit the same to the Risk Commission or to the EC for the making of a decision. Written Resolutions may be adopted, provided there is written evidence of approval of the resolution in question by all members identified as “Executive Directors” and “Other members with voting rights”
Functions	<ul style="list-style-type: none"> Monitoring and confirming the validity of the various models in use within the scope of the Bank’s risk management function, based on the technical analysis of the models, results of the performance indicators, conclusions of the monitoring and validation exercises, in their qualitative and quantitative validation components (including backtesting and representativeness analyses). Defining the measures necessary to improve the quality of the models. Define and monitor the risk management framework for models, taking into account the principles set forth in the Model Risk Management policy. Propose to the Risk Commission the approval of material changes related with the models used in the Bank’s risk management function.
Competences	<p>The members have delegated powers to approve the following:</p> <ul style="list-style-type: none"> – Introduction of alterations in the risk management models, in accordance with its competences. – the results and conclusions of the validation exercises, including, if applicable, recommendations and opportunities for improvement identified and, when justified, the results of the monitoring made to the performance of the models. – The conclusions of the assessment made by the OVMM to the remedies submitted by the model owners to remedy the recommendations and improvement opportunities previously issued. – – alterations introduced in the methodology to assess the risk of the models, within the scope of the Model Risk Management internal policy.

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Minutes of meetings	<p>The secretary of the sub commission is responsible for making the minutes of meeting of each meeting. It must contain the following data:</p> <ul style="list-style-type: none"> – The identification of the sub commission and, in the case of a face-to-face meeting, the location, day and time of the meeting. – The Agenda. – The name of the members attending the meeting and the capacity under which they participated. – Reference to the documents analysed during the appraisal of each proposal. – The contents of the resolutions adopted. – The result of the voting. – The contents of the member's statements, if they so request. <p>Once approved the minutes of meetings are submitted, for information, at the following meeting of the Risk Commission for ratification of the decisions made.</p>

⁽¹⁾ Depending on the agenda