

Development of default and recovery models for a mid tier bank in Canada

The Client

The client is an independent body of financial advisors, supported by a cross-Canada network of more than 200 mortgage specialists. It is one of the largest insurance/ mortgage companies in the world by market capitalization, and has approximately 26,000 employees. It has huge revenue of about 30Bn and Income of 2Bn CAD.

Scope and Approach

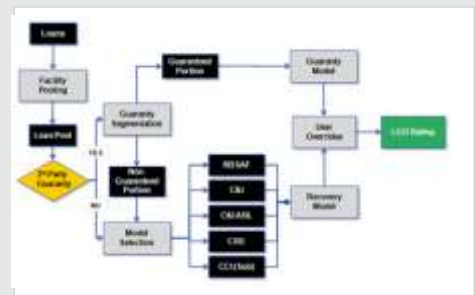
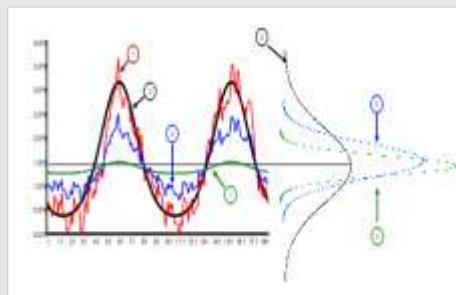
The bank required Aptiva's assistance in Statistical PD model development for the mortgage portfolio and Calibration of the PD model to the master rating scale. The Aptiva team also developed the LGD model for its mortgage portfolio using data augmentation techniques due to the lack of sufficient default and recovery data. The Aptiva team was also involved in the development of EAD models for the mortgage portfolio. Finally PD, LGD and EAD models were optimally calibrated to and mapped to PD and LGD master rating scales.

Results

The Client implemented the PD, LGD and EAD models which were in line with best practices and were suitable for capital computations under the IRB rules.

Deliverables

- ✦ Documentation covering model build and implementation strategy of the PD, LGD and EAD models developed for the mortgage portfolio
- ✦ Calibration framework for the PD, LGD and EAD models



About Us

Aptivaa is a dedicated risk and compliance consulting firm delivering risk management solutions to the financial services industry.

We offer risk consulting, solutions and analytical services to banks, insurers, as well as asset management and other financial services companies. Our domain expertise covers risk and compliance across credit risk, market risk and operational risk.

