

The Client

A large Banking Group in USA with a total asset size of USD 130 bn, with a network of 1,500+branches and approximately 21,400 employees.

Scope and Approach

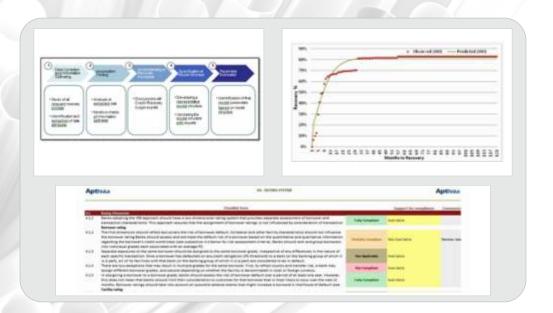
The Client wanted to implement a Basel II Credit Risk Approach and required Aptivaa to develop credit rating models to predict the Loss Given Default to be used in capital computation. They also wanted to conduct a review of the preparedness for AIRB compliance. As part of which, a roadmap for compliance was developed. The development of the LGD models was a rigorous consulting effort encompassing data preparation, sampling and business user meetings. Sophisticated statistical methods were adopted to build hybrid LGD scorecards that reflected both the historical observations and the expert opinions. A challenger model was also applied to test the validity of the vended models that were sought to be deployed. Calibration of the models to downturn period was also done. Further, a guarantor framework was developed for the client covering all its wholesale portfolios. Along with the LGD models, Aptivaa also provided the bank detailed strategy packs that covered model development and portfolio compliance with regulatory guidelines.

Results

Built 5 LGD models for the bank's corporate portfolios including Commercial Real estate – bothIncome producing and Construction Real estate, general corporate lending, Asset backed lending and leasing portfolios. All the necessary steps were taken to meet US final Rules and in the model build exercise

Deliverables

- +Detailed documentation of the five LGD models developed for the Corporate portfolio
- +A new calibration framework for the LGD models
- +A guarantor framework applicable for the entire wholesale portfolio
- +A detailed strategy pack targeting AIRB compliance



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.

