



Developed Enterprise Risk Management  
Framework for a leading Real Estate  
Financing Company in GCC

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### The Client

A niche Real Estate Financing Company in GCC which provides real estate asset backed financing to Corporates, High Net worth Individuals and Retail customers with overall asset size of approximately USD 1 Bn.

### Scope and Approach

With the increase in asset size and impending sophistication in risk regulations, the client intended to set up an Enterprise Risk Management framework in the company. To achieve this objective, Aptivaa's support was sought to overhaul its risk management practice which was focused mainly towards preliminary credit risk.

Aptivaa performed a diagnostic study and a gap assessment to see the risk areas which had not been addressed and the areas which needed significant enhancements. The Gap assessment was followed by an ERM implementation project where-in the gaps were bridged systematically by dividing the project in key areas – governance, policies, models and reports.

We set up the ERM governance structure with enhancements in Board and Senior management committees and the reporting structure. The Risk appetite framework was set with identification of key risk metrics and the tolerance limits were framed by looking into the historical trends and the future outlook. Credit risk related models were built and enhanced for Corporate and HNW portfolios using judgmental and data based hybrid approach. We developed a master rating scale which was aligned with the models. For Retail portfolio, application scorecards were built by delving into the historical data by observing the predicting power of the factors involved. A separate Self-employed model was also built basis different performance behavior of the portfolio for various retail risk factors. We also developed excel based rating model toolkits for the company to be able to rate the corporate and HNW customers and save the data in database for future analytical purposes.

Policies for Market Risk, Interest Rate Risk and Liquidity Risk were enhanced along with their governance structures. A framework for ALM hedging strategy was also provided. Operational Risk framework was introduced to the client by defining business units and key operational risk tools such as RCSA, KRI, Loss Data which suited to the size and complexity of the client.

A comprehensive ERM reporting framework was provided with various dimensions and reporting matrix. Stress Testing framework and excel based



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tools were also provided to be able to generate scenarios and sensitivities across key portfolios and assess their impact on earnings.

### Results

The client was able to establish Enterprise Risk Management Framework and enhance the existing governance, policies and reporting across the organization.

### Deliverables

- Risk Appetite Framework
- Risk Governance and terms of reference for Risk department, Board and Management level Committees and CRO
- Credit Risk Rating Models for Corporate and HNW portfolios and an excel based deployment toolkit
- Credit Risk Scorecards for Retail and Self-Employed portfolios
- Credit Risk, Market Risk, Interest Rate Risk, Liquidity Risk Policies
- ALM Hedging Framework
- Stress Testing Framework
- Risk Reporting Framework



## About Us

Aptivaa is a vertically focused risk and compliance professional services firm offering risk consulting, solutions and analytical services to banks, insurers, as well as asset management and other financial services companies across the globe.

We have developed world-class competencies in high-stakes financial risk and compliance areas such as Enterprise Risk Management, IFRS 9, Credit, Market & Operational Risk, Basel II, Basel III, ICAAP, Risk Based Pricing, Risk Systems implementations etc. We strive to enhance our offerings in line with the latest regulatory updates and ever evolving risk management methodologies and frameworks across the industry.



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