

Validation of... LGD models using GCD data

Michael Eichhorn, KfW
08.11.2012, London



Validation of LGD models using GCD data

Agenda

1. KfW at a glance
2. Platforms & Segments
3. Validation
 - a) Processing
 - b) Preparation
 - c) Analyses & Reporting
 - Benchmarking
 - Representativity
 - Downturn
4. Conclusions



KfW at a glance

KfW at a glance

Subheadline

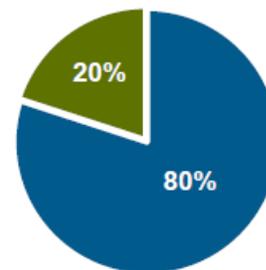
Size (total assets)...

Institut	Bilanzsumme 2021 (in Mio. €)
Deutsche Bank AG, Frankfurt/M.	1.323.993
DZ Bank AG, Frankfurt/M.	627.273
KfW, Frankfurt/M.	550.962
Commerzbank AG, Frankfurt/M.	473.044

<https://de.statista.com/statistik/daten/studie/157580/umfrage/bilanzsumme-der-groessten-banken-in-deutschland/>

Business...

Shareholders



- Federal Republic of Germany
- German federal states

Headquarters: Frankfurt am Main

Branches: Berlin, Bonn



KfW at a glance

Business activities | New business H1 2022: EUR 95.1bn



Domestic

International

»»» Platforms & Segments

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Platforms & Segments

- LGD & EAD Platform ✓
- PD & Rating Platform ✓
- Benchmarking Platform



Corporates, Small and Medium Enterprises	
Large Corporates	✓
Medium Enterprises	✓
Small Enterprises	✓
Banks & Financial Companies	
Banks & Financial Companies	✓
Sovereigns, Central Banks	
Sovereigns, Central Banks	✓

Additional asset classes

Asset Class

- Ship Finance ✓
- Aircraft Finance ✓
- Real Estate Finance
- Project Finance ✓
- Commodities Finance
- Public Services
- Private Banking

GCD data...

- What?
- Where?
- How?

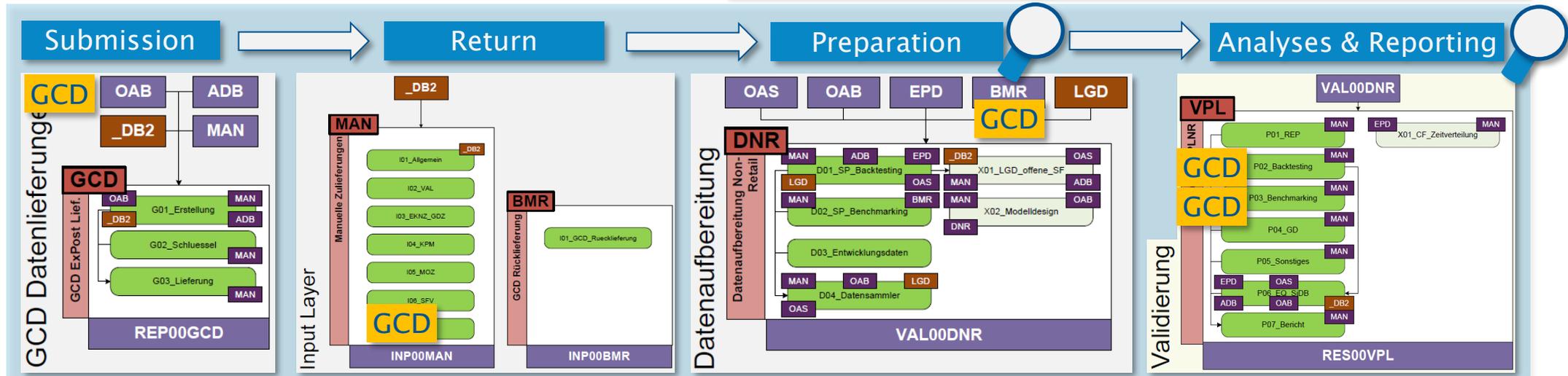
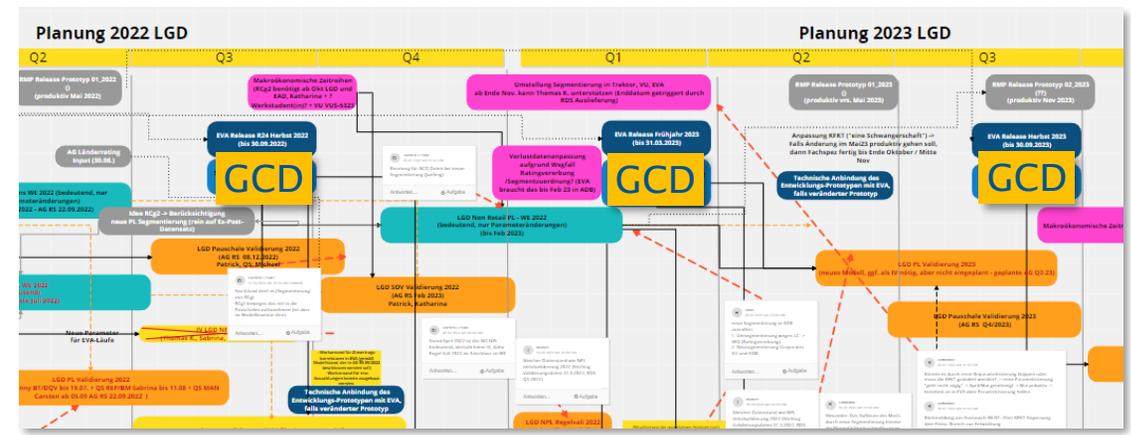
GCD data...

...solves all problems...

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Processing...

- Planning & IT framework
- Release cycle GCD
- Release cycle KfW





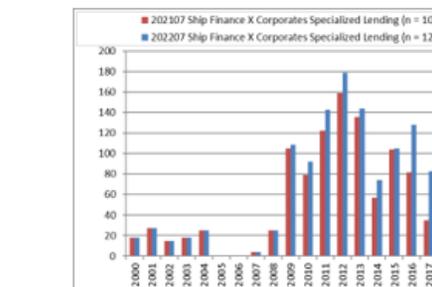
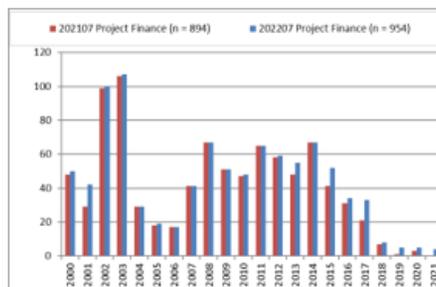
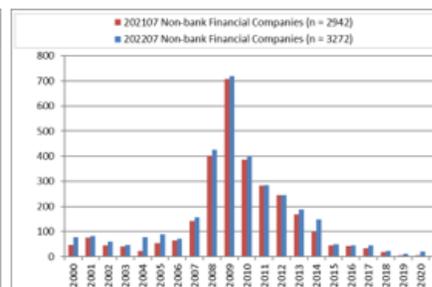
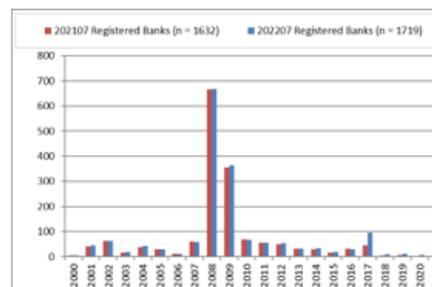
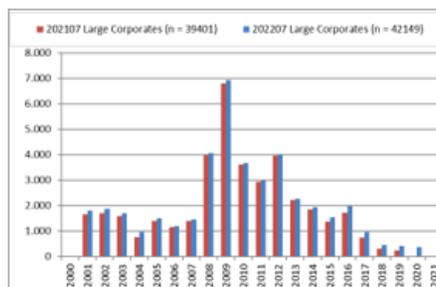
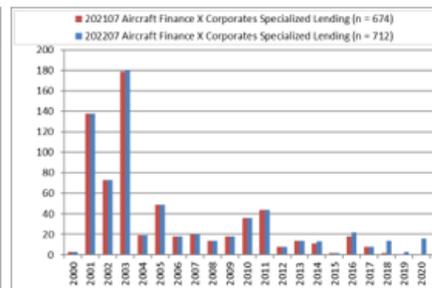
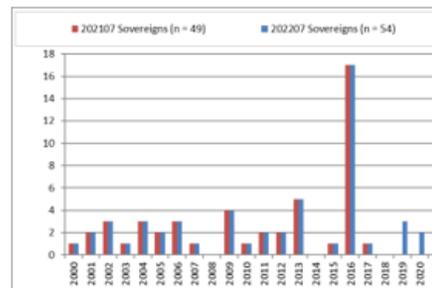
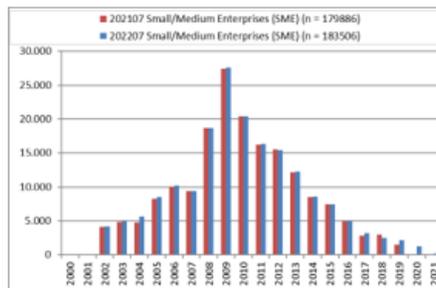
Validation

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Preparation...

Key driver...

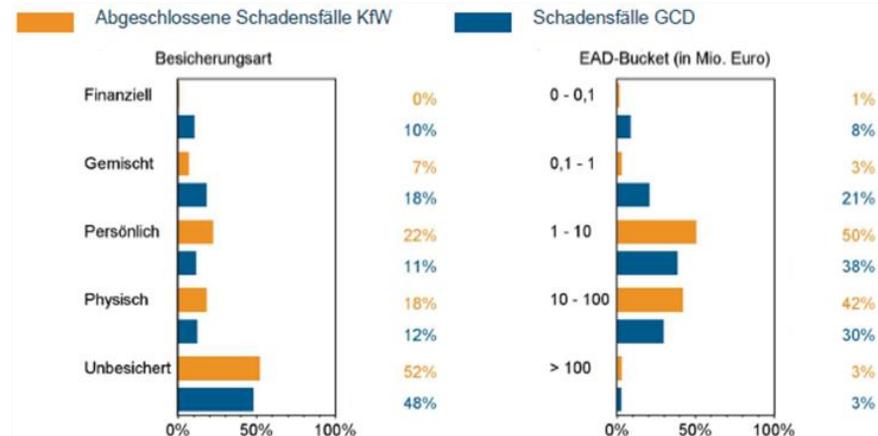
- Data revisions
- GCD member support
- Data Quality



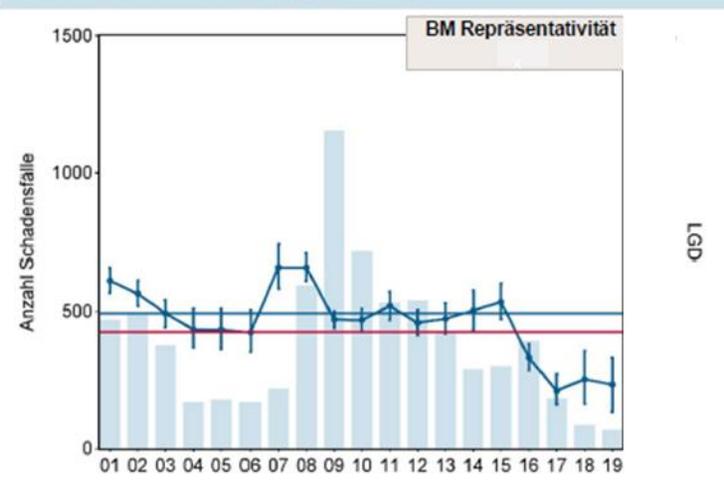
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Analyses & Reporting

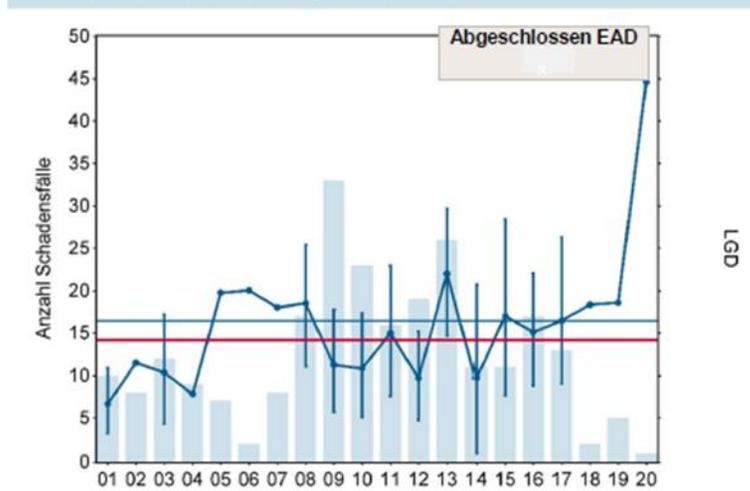
Benchmarking



Gesamt-LGD nach Ausfalljahr – GCD



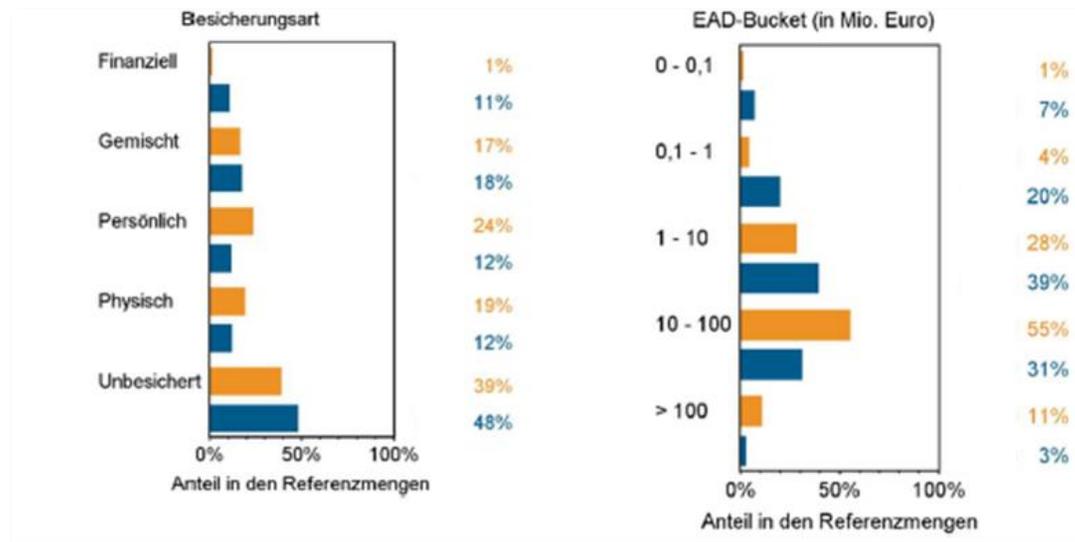
Gesamt-LGD nach Ausfalljahr – Interne Daten



Validation of LGD models using GCD data

Analyses & Reporting

Representativity



Strukturmerkmal	Kalibriertheit (Wertebereichsanalyse)	Kalibriertheit: Krit. erfüllt?
Besicherungsart	Keine neu besetzte Kategorie	Ja
EAD	Summe Zuwachs in Außenbuckets: 13,1 Prozentpunkte	Nein

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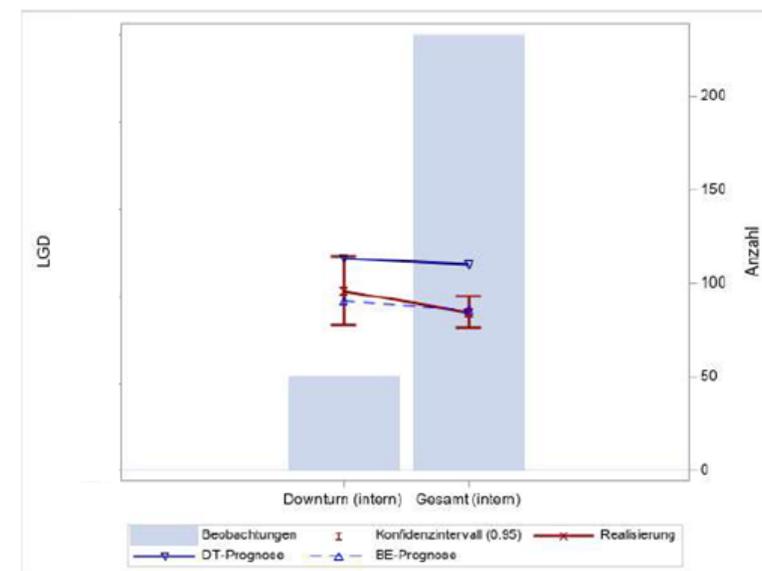
Analyses & Reporting

Downturn

Ableitung des Downturnfaktors

	Krise 1	Krise 2
Krisenzeitraum	01.01.2002 - 31.12.2003	01.01.2007 - 31.12.2009
Anzahl gesamt (davon interne)	38.817 (233/196)	
Anzahl im DT (davon interne)	1.681 (2/0)	13.776 (51/47)
(a1) Ex-Post LGD gesamt GCD & KfW (nur KfW)		
(a2) Ex-Post LGD im DT GCD & KfW (nur KfW)		
(a) DT-Faktor (a2/a1) (nur KfW)		
MOC-DT	0,03	0,01
DT+MOC-DT		
Relevante Krise	Nein	Ja
Signifikanz von (a) (nur KfW)	Ja (n.a.)	Ja (Nein)
DT-Faktor im Modell		
Relevante Krise in der Entwicklung	Ja	Nein
<i>Strukturfaktor (nur interne/KfW Daten)</i>		
(b1) Ex-Ante LGD gesamt (nur KfW)		
(b2) Ex-Ante LGD im DT (nur KfW)		
(b) Interner Struktur-Faktor (b2/b1)		1,05
Signifikanz von (b)	n.a.	Nein
Bereinigter interner DT-Faktor (a/b)		

Strukturvergleich Best-Estimate vs. Downturn der relevanten Krise





Conclusions

The bottom line is...

- Benchmarking vs Modelling-Input vs Modelling
- GCD-data... solves all problems...
 - Relevance of...
 - Data requirements
 - Quality enhancement & enforcement
 - GCD support
 - Communication

The KfW logo consists of the letters 'KFW' in a bold, blue, sans-serif font. Below the logo, the tagline 'Bank aus Verantwortung' is written in a smaller, blue, sans-serif font.

KFW

Bank aus Verantwortung

The background of the slide is a photograph of modern office buildings. On the right, a tall, grey building with a grid of windows has the 'KFW' logo on its roof. To the left, a curved building with a similar grid pattern is visible. In the distance, a tall, thin tower (the Fernsehturm) stands against a clear sky. The foreground is filled with green trees and a paved area.

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