Invitation to the Presentation about the Workplacement

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“Modelling Credit Portfolio Losses with the Merton Model”

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Abstract

A bank’s loan portfolio consists of many different customers that can be dependent on each other. However, every bank must reserve a certain amount of equity to protect itself against the risk of a loss in its portfolio due to costumer defaults. Therefore, credit portfolio models were developed to model the portfolio loss distribution. During my internship at d-fine I worked on a project where we benchmarked the results of the current model of a bank against a model based on the Merton Model for credit risk. The Merton Model is a commonly used flexible and extensible model based on Monte Carlo simulations. In this presentation, I will give a brief introduction to the Standard Merton Model and its application in credit risk. Finally, I will briefly discuss some problems that can arise when implementing the model.

Barbara Kaltenbacher and the Department of Mathematics look forward to seeing you at the talk!