

Portfolio Credit Model

Model Summary Document (MSD)

1. Model Purpose and Description

The Portfolio Credit Model is used for evaluating the default risk in credit portfolios backing collateralized debt obligations (CDOs). It uses Monte Carlo simulation to model the default behaviour of individual assets in a portfolio of credits. It draws on a structural form methodology that considers a firm will default if the value of its assets falls below the value of its liabilities.

The main outputs of this model are the rating default rate (RDR), rating loss rate (RLR) and the rating recovery rate (RRR) corresponding to each rating stress.

2. Model Assumptions

The assumptions in the model are based on Fitch's criteria listed below:

- Structured Finance CDOs Rating Criteria
- CLOs and Corporate CDOs Rating Criteria
- Covered Bonds and CDOs Public Entities' Asset Analysis Rating Criteria
- SME Balance Sheet Securitisations Rating Criteria

3. Model Inputs

The model inputs include:

- Simulation Parameters (needed for Monte Carlo simulation)
- Generic Portfolio inputs (Asset, Collateral and issuer information)
- Specific inputs from the sector of the evaluated portfolio (Asset Back Securities, Large Corporate, Small and Medium Sized Corporates, Public Finance)

4. Model Development Data

Not applicable to this rating model as it does not use historical data for its development and calibration, and it only uses transaction specific data and other related data as described in the relevant criteria and/or RAC.

5. Model Limitations

The model is intended for the analysis of credit portfolios backing CDOs and CDOs of corporate and asset-backed securities, based on the criteria listed above.

6. Material Changes

The current model version is 2.17.1. Any future material changes will be disclosed in this section.

Contact Information

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