

Model Development Documentation — Credit Risk ICAAP Model — 2023

1. Introduction

This document briefly describes the 2023 version of the ICAAP Credit Risk Capital Model used by EFB. The model is based on internal credit risk parameters (PD and LGD) and aims to compute the economic capital at a high confidence level.

Unlike other 2023 models, this edition does **not** provide detailed explanations of data sources, methodology, or calibration. The objective is simply to present the model conceptually and summarize the results used in the ICAAP 2023 submission.

Note: Several documentation sections are missing due to resource constraints at the time.

2. Model Overview

The model estimates credit losses using internal PD and LGD values and aggregates them into a portfolio-level loss distribution.

The methodology is broadly similar to previous years.

Key points

- Economic capital is defined as the difference between the loss at a very high quantile and expected loss.
- A simulation is used.
- PD and LGD values are taken from internal systems but no reconciliation tables are included.

3. Data Description

Data used:

- PD values from the internal rating system
- LGD values provided by Recoveries
- Exposure values obtained from Finance extracts

4. Assumptions

- One-year horizon.

- High confidence level (exact value not stated).
- PD and LGD assumed representative of normal and downturn conditions.

5. Methodology

A simulation-based approach is used to estimate credit losses. Segment-level losses are aggregated to produce the final loss distribution. Expected loss is computed as $PD \times LGD \times EAD$.

6. Results

The results presented in the 2023 document are very high-level.

Economic capital estimate (rounded):

- **€1.68bn**

7. Governance

The model is maintained by the Credit Risk Modelling team. The 2nd line reviews the model annually. Audit performs periodic reviews.

8. Annexes

The annexes section contains only two very short items.

Annex A — Variables (very brief list)

- PD
- LGD
- EAD
- Segment