

ABSTRACT

The analysis is meant to build atop of Chaos Lab's

existing analytics regarding V3 borrowers ['at-risk' of liquidation](#). This additive analysis further drills into a borrower's riskiness based on their credit score which is the likelihood of default (or liquidation in case of Aave).

Premise: Borrowers with strong credit scores are risk-minded, thus unlikely to let their loans be liquidated, even with unexpected market volatility.

MOTIVATION

Understanding liquidation risk from a user level (micro) and protocol level (macro), Aave can better assess true insolvency risk to the protocol.

ANALYSIS

Aave V3 - Arbitrum

- Borrower

0x004c718103fed0bf75f2a02c3da7ea2332137fac

Per RociFi's credit risk model, this address is rated a 9

out of 10, i.e. a weaker credit score

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Borrower

0x004c718103fed0bf75f2a02c3da7ea2332137fac

historical activity across all of DeFi – not just Aave – include:

- 4 total borrows, all-time
- Wallet age of 216 days
- \$300K in total debt repaid, all-time
- Zero liquidations, all-time
- \$902K debt outstanding to Aave

The borrower's weaker credit score coupled with current health factor of 1.20 indicate heightened risk. Given the relatively small amount of debt coupled with liquid collateral assets of WBTC and WETH, the overall risk to Aave does not seem cause for concern at the moment.

Aave V3 - Avalanche

- Borrower

0xcc5b1fef95f632c4a25f95ad88bfe12f928d04cb

This address is rated a 7

out of 10, i.e. a weaker credit score

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- 11 total borrows, all-time
- Wallet age of 91 days
- \$3.1M in total debt repaid, all-time
- Zero liquidations, all-time
- \$4.3M debt outstanding to Aave

The borrower's weaker credit score coupled with current health factor of 1.26 suggest moderate risk given higher health factor.

Aave V3 - Optimism

- Borrower

0xd075ca0b40d67db2570ae23936baeb64449dc8ba

This address is rated a 5

out of 10, i.e. a good credit score

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- 47 total borrows, all-time
- Wallet age of 211 days
- \$9.7M in total debt repaid, all-time
- Zero liquidations, all-time
- \$1.03M debt outstanding to Aave

The borrower's good credit score coupled with current health factor of 1.24 suggest less risk.

Aave V3 - Polygon

- Borrower

0x61a8d768de76361e2538f1d4f490118d881da0cc

This address is rated a 4

out of 10, i.e. a good credit score

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- 14 total borrows, all-time
- Wallet age of 235 days
- \$912K in total debt repaid, all-time
- Zero liquidations, all-time
- \$439K debt outstanding to Aave

The borrower's credit score is good but the current health factor of 1.12 elevates riskiness. Given the relatively small amount of debt coupled with liquid collateral assets of SUSHI and MATIC, the overall risk to Aave does not seem cause for concern at the moment.