

INTERNSHIP PROJECT PROPOSAL

Title	Expected credit losses – developing, understanding and improving the new way to calculate losses on bond and loan portfolios
Research Area	Credit risk models for bonds and loan portfolios, forward looking information in financial statements
Dutch language mandatory	No
Type of internship	Only as regular internship
Internship period	Fixed: specify period
For students in	MSc EME & QFAS and for students in MSc Finance who like quantitative methods.
Internship remuneration	Yes Full-time Monthly €500
Organization and (sub)section	Aegon NL FIM Schade en Consolidatie

Short description internship project (incl. literature)

Aegon Nederland is in the process of implementing IFRS 9 “Financial instruments”. Part of the IFRS 9 project is the development of Expected Credit Loss (ECL) models for the calculation of expected impairment losses on the fixed income portfolios classified at Fair Value through OCI (FVOCI) or Amortised Costs (AC). The new ECL models will be implemented as per 1 January 2018, the first recorded impairments based on the model will be at the end of Q1 2018 (31-3-2018). The ECL models calculate the impairment amounts based on macro-economic scenarios, probabilities of default, loss given default and exposure at default. The various elements of the models are estimated by sub-models. The models use available historic and current data to make projections for future expected losses. The department FIM Consolidation of Aegon NL is model owner of the ECL model for debt securities (sovereign- and corporate bonds and structured notes). Within Aegon NL there are also models developed for mortgages and consumer loans.

As the models first go live per 1 January 2018 and record the first results at the end of Q1 2018, FIM Consolidation wants to further test, learn and develop the model during 2018. This testing will involve among other things running multiple scenarios, analyze and explain outcomes of these scenarios and deltas and further understand which assumptions within the model has the largest influence. The outcomes of this will be used for the annual update of the calibration model (planned per end of Q3 2018).

Expectations from the student: hands on approach, able to semi-independently design and execute test scenarios, sufficient knowledge of complex statistical methodologies, able to interpret outcomes



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and when necessary able to semi-independently design solutions to improve shortcomings or errors from the models. Besides great desire to learn a lot in a short time and a good team player.