



LISBON
SCHOOL OF
ECONOMICS &
MANAGEMENT
UNIVERSIDADE DE LISBOA

Interest Rate and Credit Risk Models

MASTER IN MATHEMATICAL FINANCE

2019/2020

Exercise 2

1. Present estimates for the 1-year probability of default of 3 companies listed in the Eurostoxx 50 Index, since the beginning of 2016, by using the Merton Model, detailing the assumptions taken and discussing the results obtained.
2. How would you use information provided by rating agencies to get these estimates?
3. Identify the main differences between the estimates obtained in the two previous questions.

Deadline: 31 Dec.2018