

## Put the S&P Scorecards to Work for You

- ▶ Over 90 Scorecards available through FACT for corporate, financial institutions, project finance, funds and real estate with more than 50 sectors covered
- ▶ Consistent, proven and fully transparent methodologies
- ▶ Integrated with the Orbis database, which covers more than 100 millions companies worldwide
- ▶ Compliant with current regulatory requirements

# Credit Assessment Scorecards



INTERNAL  
RATING  
MODEL

## Consistency. Transparency. Replicability. Three Important things you need to improve credit decision-making.

Staying on top of today's constantly evolving credit markets and the regulatory environment is challenging. Identifying and managing potential default risks in your portfolio requires access to up-to-date data, sophisticated analytical tools and a consistent framework for analysis. See how our scorecards can help.

### A Probability of Default Scoring Framework

S&P Capital IQ's scorecards provide credit professionals with the ability to analyse all types of companies of any size and ownership structure, specialised lending, financial institutions and public finance exposures, in any geography or sector.

Using a rigorous development process, our credit assessment scorecards integrate quantitative and qualitative risk factors to help you refine your expert assessments of credit risk. The output of the scorecard is mapped to Standard & Poor's Ratings Services historically observed defaults. S&P Capital IQ scorecards have achieved regulatory acceptance worldwide and deliver a fully documented and transparent credit scoring process. Existing users include a variety of credit risk sensitive institutions, banks and insurance companies that wish to have an Internal Rating System (IRS) that complies with the Internal Ratings Based (IRB) approach as described in the Basel accords or Solvency II. The scorecards comprise of both qualitative and quantitative risk dimensions that can be automatically populated with external data for additional efficiency gains. The risk dimensions include:

#### Quantitative and qualitative inputs

which include all the risk factors, weights, benchmarks and scoring algorithms delivered in a "glass box" environment.

#### A user guide

that explains in detail how to score a company and the underlying credit scoring methodology.

#### Technical documentation

which describes the analytical/statistical processes used to develop the scorecard, identifies the data used in the construction and provides testing performance results.

## Sample Corporate Scorecard\*

Financial Risks	Risk Weight	Risk Score	Risk Grade
Profitability	10%	6.0	bb+
Cash Flow	15%	5.5	bbb-
Capital Structure	10%	6.0	bb+
Financial Flexibility	15%	6.5	bb
<b>TOTAL FINANCIAL RISK GRADE</b>			<b>bb+</b>
Business Risks	Risk Weight	Risk Score	Risk Grade
Industry Risk	20%	6.5	bb+
Competitiveness	20%	7.5	a-
Management	10%	7.0	bbb
<b>TOTAL BUSINESS RISK GRADE</b>			<b>bbb</b>
<b>STAND ALONE RISK GRADE</b>			<b>bbb-</b>
PARENT/GOVERNMENT SUPPORT			None
<b>FINAL RISK GRADE</b>			<b>bbb-</b>
1-YEAR DEFAULT RATE			1.3%
HIGH STRESS DEFAULT RATE			3.2%

\*simplified version for illustrative purpose

### Mapping of the score

The output of each scorecard is a numerical score that is mapped to a Standard & Poor's Ratings Services letter grade and historically observed default rates, or your internal risk rating scale.

### Annual update and maintenance

Through a rigorous annual methodological and calibration review we ensure that each score card remains analytically sound, aligns with the criteria of Standard & Poor's Ratings Services, has strong performance correlations and that the scoring criteria and User Guide are up-to-date.

### Training workshops

S&P Capital IQ experts provide credit risk analysis training using an interactive case study format.

## Scorecard Mapping\*

Score	Rating Map	Client Scale	1-Year Default Rate
10	aaa	1	0-.02
8.5	aa	2	.02-.01
7	a	3	.01-.04
5.5	bbb	4	.04-1.5
4	bb	5	1.5-4.2
2.5	b	6	4.2-9.6
1	ccc	7+	9.6+

\*client scale and 1-year default rate are hypothetical

## Ensure Full Coverage of Your Portfolio

We provide broad sector and unlimited geographic coverage with 90+ scorecards for private, public traded and rated companies. Some of the sectors included are noted below.

\*Sample listing only

- **Corporates** – covering large companies and small—and medium—sized enterprises (SMEs)
- **50 Sector-Specific Commercial Scorecards** – including Consumer Products, Wholesale, Retail, Utilities, Oil and Gas, Telecom, Transportation, Heavy Industries and Service Industries
- **Financial Institutions** – including Banks, Broker/Dealers, Insurance and other Non-Bank Financial Institutions
- **Public Finance** – including Sovereigns and Local/Regional Governments and Non-Profit Hospitals
- **Asset Based Lending** – covering single and pooled assets
- **Project Finance** – including Natural Resources, Infrastructure, Energy and PPI/PFI
- **Funds** – including Mutual, Hedge, Private Equity, Endowment, Real Estate and Pensions
- **Real Estate** – for Recourse and Non-Recourse Transactions, REITS and Development Companies

## Access Support Overlays

Many ratings are not only a function of their own “stand-alone” credit strength, but can be positively or negatively impacted by external factors which can have a material impact on the ultimate credit strength. Available with all scorecards are support overlays for Parent/Subsidiaries, Government-related entities, banks, holding companies and sovereign intervention that facilitate the assessment and incorporation of all of these more complex instances in the entity final rating.

## A Powerful Combination: Precision and Convenience

The S&P Capital IQ scorecards undergo a rigorous development and annual maintenance process enabling an outstanding level of analytical precision as evidenced by:

- Minimum performance testing standard that results in 90% of scorecard output within two notches of the public ratings
- The identification of default risk through a granular 20-point rating scale
- Scorecard output that can be mapped to the Standard & Poor's Ratings Services letter scale, 32 years of historically observed defaults or your own internal scale

Scorecards provide an easy-to-use and convenient framework where the credit risk scoring process provides a high degree of consistency and replicability as demonstrated by:

- The ability to automate the spreading of financial ratios data for public companies or banks using the Orbis database available in FACT
- Industry and Country Risk Scores that are developed and maintained by S&P Capital IQ
- Detailed industry scoring guidelines that provide logical structure to scoring business risk factors

All scorecards can be deployed on a standalone basis or incorporated into your own internal or third-party credit risk platform.

## Training

We provide extensive training for each scorecard that we offer. Training facilitates knowledge transfer on the application of the scorecards, the methodology behind them and enables you to interact with the S&P Capital IQ Risk Management Specialists during the delivery of the scorecards.

## Calibrate and Test

*S&P Capital IQ calibrates the scorecards to ensure that inputs and factor weights produce outputs that are broadly consistent with Standard & Poor's Ratings Services credit ratings.*

## Meet Your Regulatory Requirements and More

S&P Capital IQ provides credit risk professionals with multi-asset class data, credit risk assessment tools and methodologies, surveillance, validation, and workflow solutions including amongst others:

- Loss Given Default (LGD) methodologies and scorecards to support the Advanced Internal Ratings Based approach (AIRB) under Basel II, or to comply with industry best practices
- Third party Review (including Validation and Benchmarking) of internally developed PD and LGD models
- Quantitative models to support the credit origination process by providing a simple means of accessing credit scores and PD calculations
- Surveillance systems, including Early Warning Signals, Stress-Testing and Scenario Analysis, also as part of a Risk Appetite Framework
- Economic Capital Models Conceptual Soundness Review and Validation

## Sample Scorecard Sectors & Subsectors

Industry	Sector	Scorecards per sector
Corporate	Consumer Products and Retailing	6
	Construction & Real Estate	5
	Utilities	3
	Telecom & Media	6
	Transportation	5
	Heavy Industries	7
	Oil, Gas and Metals	6
	Services Industry	6
	Start-ups	1
	Generic Corporate	1
Financial Institutions	Banks	4
	Funds	4
	Insurance	1
Specialized Lending	Project Finance	6
	Asset Finance	8
	FPSO	1
	Structured Trade Finance	1
Public Sector	Sovereigns	1
	Local & Regional Governments	1
	Local & Regional Governments	1

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