

Where to use:

EAGLE determines risk of default for corporates

Benefits:

- ▶ Use EAGLE within FACT along side other integrated models
- ▶ Customise the model to meet any specific requirements
- ▶ Automate the generation of reports for corporates in BvD's products
- ▶ Consistently assess counterparty risk

Data source:

EAGLE is designed to make optimum use of the financial data in Orbis (worldwide coverage) and Amadeus (European coverage) published by BvD

Produced by:

- ▶ EAGLE has been jointly developed by Zanders and BvD
- ▶ Zanders are experts in credit ratings and credit risk management

The EAGLE model calculates credit ratings for European and worldwide corporates

The EAGLE model comprises two reports:

- **Obligor Ratio Report**
Displays financial statements and ratios for the last three years' results. The figures can be amended and qualitative factors selected for a more tailored review.
- **Obligor Risk Rating Report**
Provides a transparent overview of the financial health of a company. It details scores for each of the assessment blocks providing a quantitative and qualitative summary. This results in the Initial Obligor Risk Rating. Finally, EAGLE takes elements into account such as country risk, contingencies and corporate structure, resulting in the Final Obligor Risk Rating.

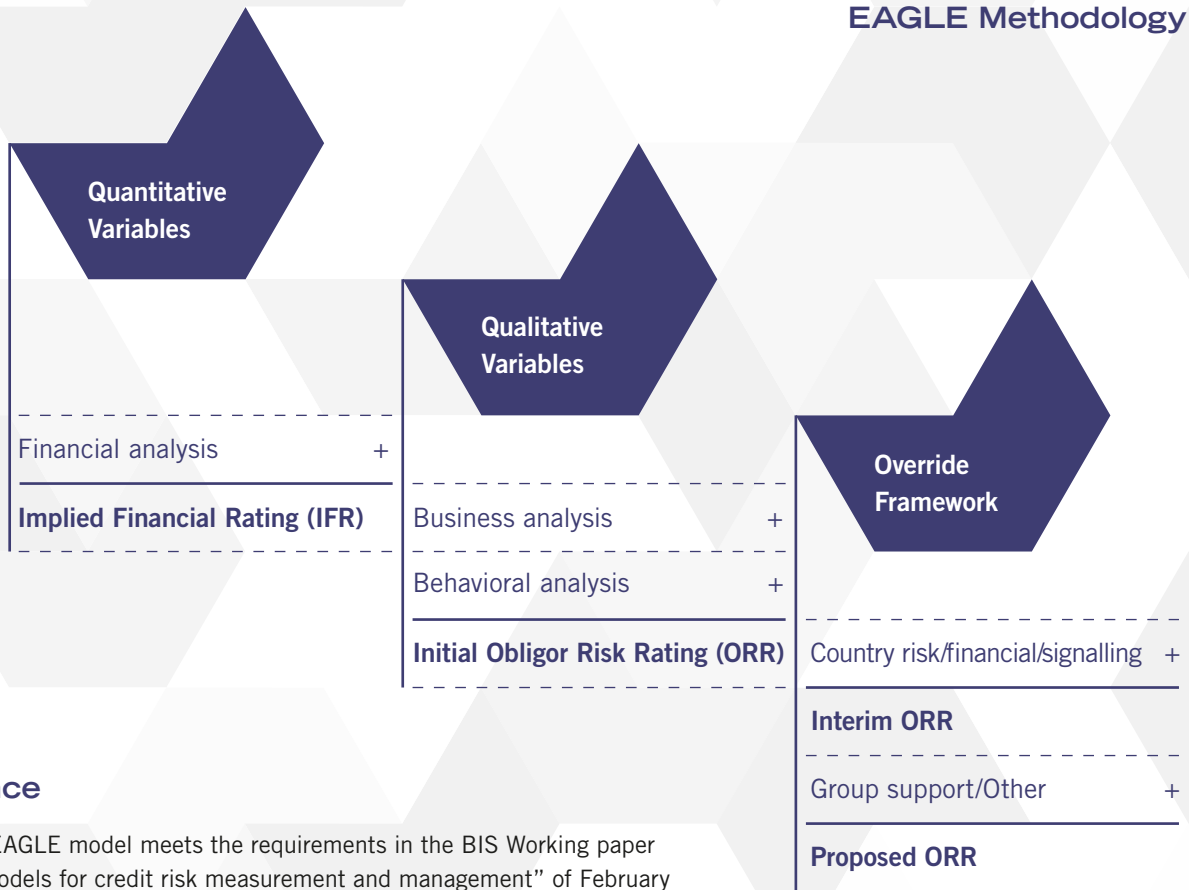
Model Logic

The financial analysis distinguishes between 17 NACE industry classes and combines 17 quantitative variables, seven qualitative variables and an override section. The model also takes into account the subject's trend and country risk. The model provides 14 non-default rating classes, which are linked to a Probability of Default (PD).

The model utilises three assessment blocks: quantitative variables, qualitative variables and an override framework.

- **Quantitative variables** – Financial analysis of five key areas: operations, liquidity, capital structure, debt service and size, each with specific underlying quantitative variables. By assigning weights and scores to these variables based on their discriminatory power, the model calculates an Implied Financial Rating (IFR).
- **Qualitative variables** – The business analysis and behavioural analysis consist of an assessment of several qualitative drivers, as well as internal and external indicators. The user selects the appropriate value for each variable and the model assigns a score. This assessment produces the Initial Obligor Risk Rating.
- **Override framework** – This allows for country risk, group support and other indicators to be applied to the Initial Obligor Risk Rating. Country risk is determined by OECD country risk classifications.

The above steps produce the Final Obligor Risk Rating.



Compliance

The Zanders EAGLE model meets the requirements in the BIS Working paper 17 “Vendor models for credit risk measurement and management” of February 2010. Main requirements for vendor models are:

- Model is regularly reviewed
- Detailed vendor model documentation and validation results are available
- Models have to be tailored to obligor type and geography
- Vendor to encourage and support end-user validation

EAGLE's rating philosophy is a hybrid. It has both Through-the-Cycle and Point-in-Time characteristics.



Brussels · London · New York
Washington · Singapore · Stockholm

web: factcreditrisk.com email: fact@bvinfo.com
phone: + 32 2 639 06 06

FACT is a service from Bureau van Dijk



BUREAU VAN DIJK