

CREDITREFORM SCORING- & RATING SYSTEMS

Risk Classification of Debtors and
Business Partners

Our Rating Method – Tried and Tested for Accuracy and High-Quality Forecasts

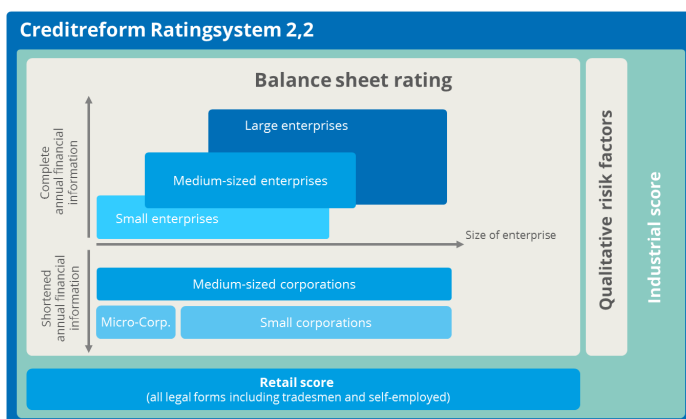
Our scoring and rating systems have been designed to allow the assessment of counterparty default risks through a process of risk classification. This process provides comprehensive solutions for the compliance with legal and regulatory requirements (for example the German Credit Act, the German Companies Act, the Minimum Requirements for Risk Management, EU Directives etc.). Our quantitative and qualitative risk criteria are documented in a transparent and easy-to-understand manner.

Solutions

- ✓ Credit ratings on the basis of data from annual financial statements and qualitative credit information
- ✓ Rating systems with assessment modules that take into account corporate size and levels of disclosure
- ✓ Consideration of industry-specific risks
- ✓ Integration of customized qualitative questionnaires into the rating process
- ✓ Use of a standard rating scale with 19 rating categories that each specify a distinct probability of default – possible mapping into the client's own risk scale
- ✓ Optional consideration of client data such as payment patterns

Strategic Objectives

- Risk classification for credit decisions and the assessment of credit portfolios with high levels of accuracy and high-quality forecasts
- Compliance with regulatory requirements
- Reducing the counterparty default risk across the portfolio
- Establishing the expected loss on the basis of default probabilities
- Increasing the degree of automation in the credit process
- Establishing default and migration probabilities for periods of one year and longer
- Continuous assessment and monitoring of new and existing customers



Financial and Credit Information as the Base for Scoring and Rating Systems

The financial strength of companies is primarily assessed on the basis of data from their annual financial statements and credit information. Taking into account the various levels of disclosure obligations, different data and different data levels are used for the purposes of the assessment depending on the legal form of the company under review.

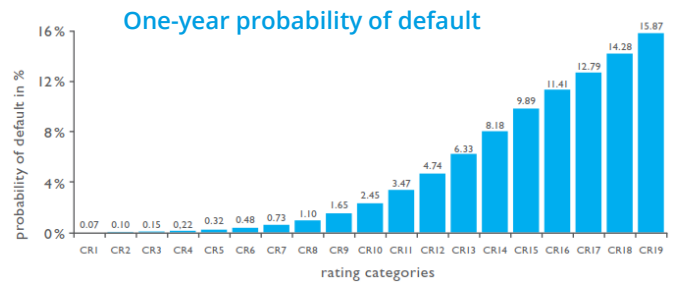
Our scoring and rating systems process data from annual statements of our clients' projects and fully comply with existing data protection laws. The systems also allow us to access data from the publicly available annual financial statements of more than 1 million enterprises.

Modular Structure of Scoring and Rating Systems

Companies are assigned to one of seven assessment modules depending on their size and the level of available information. The modular structure of the system ensures the high quality of the credit rating process. We complement the scope of our inquiry with industry-specific information and qualitative information from the Creditreform database of business statistics. It is also possible to perform assessments exclusively on the basis of credit information (for example for small businesses and the self-employed).

19 Risk and Rating Categories Guarantee High Levels of Validity and High-Quality Forecasts

In all seven modules of the risk classification process, we assess the levels of financial strength by assigning companies into one of 19 rating categories and by identifying the corresponding default probabilities.



Our systems are based on sophisticated statistical models. They provide high levels of validity and forecasts of quality and accuracy. The systems are validated on an annual basis to guarantee their stability over time.

Automated Assessment Process Through Interface Solutions

Modern interface solutions (web-based services) allow you to integrate the scoring and rating systems into existing risk management systems or processes. We also provide a web surface for a convenient retrieval of results.

YOUR BENEFITS

- High level of accuracy and high-quality forecasts
- Decisions with a high degree of automation
- Compliance with regulatory requirements
- Use of default probabilities with a time horizon of one year or more
- Automated processing of (public) annual financial statements at the point-in-time of the decision
- Customization that takes account of portfolio-specific requirements