

Credit Assessment Scorecards

With credit markets constantly evolving, how do you effectively manage risk?

S&P Global Market Intelligence’s Credit Assessment Scorecards provide credit and risk management professionals with essential tools to identify and manage potential default risks of private, publicly traded, rated, and unrated companies and government entities, across a multitude of sectors.

Assess credit risk with confidence, consistency, and convenience

Credit markets are volatile and regulations are ever-evolving. In today’s environment, you are challenged to not only effectively assess creditworthiness, meet regulatory requirements, and limit losses, but also grow revenue. The credit workflow process needs to ensure that you can identify external risk exposure faster than your competitors and manage internal risk to enhance company performance, while simultaneously keeping out as many potential defaults as possible.

S&P Global Market Intelligence’s Credit Assessment Scorecards provide the framework to effectively navigate today’s climate, especially for “Low Default” portfolios that, by definition, lack the extensive internal default data necessary for the construction of statistical models that can be robustly calibrated and validated.

Confidence

Gain confidence in your decision-making and the reliability of your company’s internal risk rating systems with S&P Global Market Intelligence’s Scorecards:

- Point-in-time factors combine with forward-looking qualitative factors, converging trends, and relationships between key drivers to provide a full picture view of credit risk.
- Leading benchmarks include over 90 industry and country risk scores.
- Full technical documentation describes the analytical/statistical processes used to develop the Scorecard, identifies the data used in the construction, and provides testing performance results.
- A rigorous scorecard development process and annual re-calibrations ensure that the tool is highly predictive of default risk.
- An IFRS-9 and CECL impairment overlay incorporates macro-economic conditions, as well as market information to adjust the Scorecard Probability of Default (PD) output. The adjustments consider reasonable and supportable current and forward-looking information to ensure that Scorecards can produce forward looking point-in-time PD estimates (both 1 year and lifetime).

Sample Corporate Scorecard†

CICRA‡	5.5	2	4.1	Business Risk Profile	Strong	Anchor	a-	Modifiers		SACP§	a-	Group or Government Support	Final Score	a-				
Competitive Position	3.5	Strong						Diversification/Portfolio Effect	0						Capital Structure	0	Financial Policy	0
Cash Flow/ Leverage Assessment								Liquidity	0						Management and Governance	0	0	
	5.1		Financial Risk Profile	Intermediate														

SCORECARD OUTPUTS	Standalone Credit Profile	a-
	Parent/Government Support	none
	Final Risk Grade	a-
	1-year Default Rate	0.08%
	High-Stress Default Rate	0.28%

†Simplified version for illustrative purposes

‡CICRA = Corporate Industry and Country Risk Assessment

§SACP = Standalone Credit Profile

Consistency

Follow a roadmap to assess creditworthiness, focusing on the key risk factors most predictive of default risk. This standardized structure allows for replicability year-to-year, analyst-to-analyst. Our transparent scoring process relies on:

- Attribute-driven scoring guidelines that provide an easy-to-use, logical structure to score business risk factors.
- Performance testing with 75% of Scorecard outputs within one notch of public credit ratings.
- Identification of default risk through a granular 20-point rating scale.
- Scorecard numerical scores that are broadly aligned with S&P Global Ratings' criteria and further supported by historical default data dating back to 1981.

Convenience

In today's complex credit markets, it is important to have a tool that helps you quickly and conveniently assess your risk. Key features of our Scorecards include:

- Automation: Automate the spreading of financial data from SNL and S&P Capital IQ using the Excel "plug-in" feature.
- Seamless updates: We validate that each Scorecard remains analytically sound and that the scoring criteria and User Guide are kept up-to-date with a rigorous annual methodology review process.
- Transparency: In-depth model development and maintenance documentation helps you meet regulatory requirements. Regulators and internal validation teams rely on documentation that identifies how the scorecard was developed, the scorecard limitations, use of data and performance of the scorecard.
- Quick deployment: Unlike other solutions, our Scorecards are an out-of-the-box solution, so you can free up resources in your company to increase efficiency throughout your business.
- 50 Scorecards* offer sector-specific, globally applicable sector and geographic coverage for all major asset classes, governments, real estate, and project finance.

*As of November 2016

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Let us help you

Our bespoke modeling and integration team will help transition your existing internal processes or scoring models and facilitates knowledge transfer on the methodology behind the Scorecards themselves. Nothing satisfies us more than helping you complete a project or meet a deadline. Turn to our 24x7x365 global support team, anytime, from anywhere. We're just a phone call or email away.

Credit Assessment Scorecards: 5 Key Sectors

Sector	Sub-Sectors
Financial Institutions	Banks, Insurance, Broker/Dealer
Corporates	Large Corporations and Small & Medium Enterprises (SMEs)
Governments	Sovereigns and Municipals
Real Estate	Commercial Real Estate (CREST) and Real Estate Investment Trusts (REITs)
Project Finance	Energy, Infrastructure, etc.

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