S&P Global
Market Intelligence

CONTACT US

Asia-Pacific
+852-2533-3565

Europe,
Middle East & Africa
+44-207-176-1234

The Americas
+1 877 863 1306

Creating an Early-Warning System for Potential Credit Risks

The Client: A large commercial bank located in South East Asia

Users: The Risk Team, including the heads of Corporate, Investment, and Macro Risk

A prominent South East Asian bank makes loans to many companies across different sectors of the local economy. Its Risk team is responsible for assessing the economic environment that these companies operate in and their financial soundness in order to evaluate the strength of the bank's loan portfolio and other credit exposure.

Pain Points:

The Risk team had a semi-annual process in place to review the creditworthiness of thousands of corporate clients, but volatile market conditions were negatively affecting loans between review cycles. The team felt it needed to put in place a robust surveillance system that could provide an early warning of changes in client creditworthiness, which would support quick intervention when needed to help minimize the number of non-performing loans on the bank's books.

The Solution:

S&P Global Market Intelligence ("Market Intelligence") suggested that the Risk team consider several capabilities that, together, would provide a comprehensive early-warning system. This would help the team quickly identify emerging problems with rated, unrated, public, and private companies, as well as understand the various factors contributing to a decline in creditworthiness. The Market Intelligence solution included:

- **A suite of credit assessment tools** comprising comprehensive data, powerful quantitative models, and sophisticated web-based workflow solutions. The models would provide a range of market and fundamental indicators and generate probabilities of default (PDs) and/or credit scores. Workflow capabilities would let the Risk team set alerts to track specific companies and use dashboards and visuals that

color-code a company's credit risk (green, yellow, amber, and red) to readily pinpoint problems.

- **An extensive and continually growing private company database** to gain insight on this important universe of firms.
- **Timely news and research** to better understand the drivers of risk with detailed financial information plus third-party research from buy and sell side analysts.
- **Macroeconomic data** to determine external factors that could affect the operating environment of companies in the bank's portfolio.
- **Ongoing support** to explain and demonstrate the capabilities, so the Risk team could enhance efficiencies and leverage the solution to its fullest.

Key Benefits:

The Market intelligence solution provided the ongoing monitoring system that the Risk team needed to help minimize their non-performing loans and assess the strength of their investment portfolios. The team values having:

1. **A well-rounded view that provides an understanding of market dynamics** with breaking news and research on developments that could have a downstream impact on a client's credit profile.
2. **An efficient process for assessing credit health** with easy-to use web-based tools to stay on top of portfolio health.
3. **A transparent approach to collaborate with colleagues** using dashboards and visuals to zero-in on red-flagged companies for further analysis and discussion.
4. **Training and on-going support** to help members of the team understand the range of available capabilities and continue to get the most out of the solution.

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