

CREDIT-STANDING INDEX

Efficient early warning indicator

The Creditreform Credit-Standing Index is an accurate and powerful early warning indicator permitting rapid assessment of a business partner's ability to pay. The higher the index figure, the greater the risk of a customer defaulting. The solvency spectrum ranges from 100, representing excellent credit standing, to 600, indicating established negative features.

CREDIT-STANDING CLASSES

- 1 **Excellent credit standing**
 Credit-Standing Index 100-149
 Default probability 0,10%*
- 2 **Very good credit standing**
 Credit-Standing Index 150-200
 Default probability 0,44%*
- 3+ **Good credit standing**
 Credit-Standing Index 201-250
 Default probability 0,99%*
- 3 **Moderate credit standing**
 Credit-Standing Index 251-300
 Default probability 1,87%*
- 3- **Strained credit standing**
 Credit-Standing Index 301-350
 Default probability 6,94 %*
- 4 **Very weak credit standing**
 Credit-Standing Index 351-499
 Default probability 17,27%*
- 5 **Major payment delays**
 Credit-Standing Index 500
- 6 **Hard negative features**
 Credit-Standing Index 600

*Status 2006

From Credit-Standing Index to creditworthiness classes

For day-to-day risk management, it is particularly useful to group comparable debtors in so-called creditworthiness classes. Depending on a company's risk policy, a specific value – say an index figure of 351 points – can be set as a limit for granting credit.

Transparent risk situation

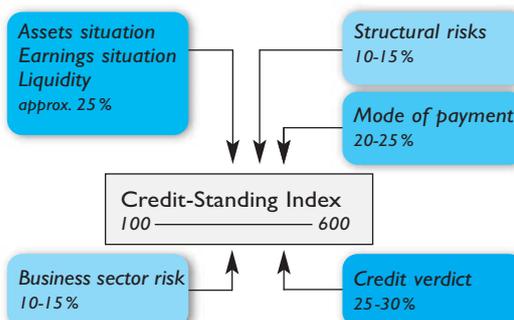
All information is provided in structured form. This permits simple further processing (production of customer evaluations and risk reports).

The Creditreform Credit-Standing Index – made-to-measure assessment

15 features of relevance to a customer's creditworthiness are reviewed – from liquidity, turnover and equity structure through to mode of payment and structural features such as legal form. Each criterion is individually appraised and the results condensed into an overall grade: the Credit-Standing Index.

Quantity and quality

The Credit-Standing Index takes account of both hard (quantitative) and soft (qualitative) risk factors. These are weighted according to relevance and each is categorised on a scale of 1 to 6. In line with the simple mathematical formula "weighting x classification" a number of points is obtained for each feature. The sum of the individual scores produces an informative three-digit points total: the Credit-Standing Index.



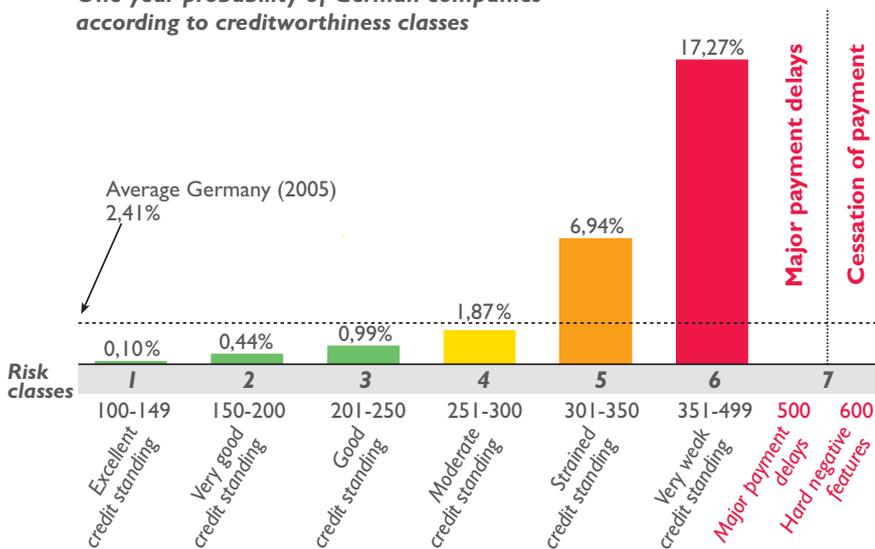
CREDIT-STANDING INDEX

How accurately does the Credit-Standing Index depict credit risk?

Standardizing the procedure by which creditworthiness is computed and taking account of changes – i.e. improvements or deteriorations in credit standing – over a specific period enable default probabilities to be calculated for each creditworthiness class.

Default rates rise exponentially from one class to the next, documenting the Index's ability to distinguish between safe and risky customers when it comes to granting credit. This accuracy makes the Credit-Standing Index into a particularly valuable credit management tool.

One year probability of German companies according to creditworthiness classes



Reliable forecasting

The Creditreform Credit-Standing Index enables you to accurately assess a business partner's creditworthiness for a recommended forecast horizon (e.g. twelve months)

Reliability

You can rely on the Creditreform Credit-Standing Index. It is based on the world's largest collection of data on German companies – with over 3.5 million data records – and on scientifically researched and practice-tested risk measurement methods.

CREDIT MANAGEMENT WITH THE CREDITREFORM CREDIT-STANDING INDEX

- ▶ Reliable appraisal of customer risk
- ▶ Easy interpretation
- ▶ Index figure permits clear-cut differentiation and assessment of default probability
- ▶ Index for risk and portfolio analysis
- ▶ Can be used in a company's own scoring and risk class system
- ▶ Base indicator for creating risk classes and defining credit lines and payment conditions
- ▶ Cost-effective index for automating customer assessments