

Credit Assessment Scorecards

With credit markets constantly evolving, how effectively do you 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 assess creditworthiness effectively, meet regulatory requirements, limit losses, and grow revenue. Your 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.

Our Credit Assessment Scorecards provide an effective framework to 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.

Our Scorecards consider Environmental, Social and Governance (ESG) credit risk factors, as part of a holistic approach to assessing credit risk. These factors are reviewed alongside traditional credit analysis formalized in the Scorecards, reflecting the impact of material ESG factors on credit risk.

Confidence

Gain confidence in your decision-making and the reliability of your company’s internal risk rating systems with our Scorecards:

- Point-in-time factors combine with forward-looking qualitative factors, converging trends, and relationships between key drivers to provide a full picture of credit risk.
- ESG credit risk factors in the Scorecard framework help to enhance transparency and reporting, enabling a more rigorous integration of ESG considerations into fundamental credit analysis.
- Leading benchmarks include over 140 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 development process and annual re-calibrations ensure that our Scorecards are 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 one-year and lifetime).

Sample Corporate Scorecard†

CICRA[‡]	5.0	2	7.7	Business Risk Profile	Weak	Anchor	bb-	Modifiers		SACPs	bb-	Group or Government Support	Final Score	bb-
Competitive Position	8.0	Weak						Diversification/Portfolio Effect	0					
Cash Flow/ Leverage Assessment			6.0	Financial Risk Profile	Significant			Financial Policy	0					
								Liquidity	0					
								Management and Governance	0			0		

SCORECARD OUTPUTS	Standalone Credit Profile	bb-
	Parent/Government Support	None
	Final Risk Grade	bb-
	1-year Default Rate	1.22%
	High-Stress Default Rate	3.40%

†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 the Scorecard outputs on average being an exact match or within one notch of the S&P Global Ratings' Credit Rating.
- 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 tools that help you quickly and conveniently assess your risk. Key features of our Scorecards include:

- Automation: Automate the spreading of financial data from S&P Global Market Intelligence and S&P Capital IQ platforms using the Excel® "plug-in" feature.
- Seamless updates: Annual validation process is carried out to ensure that all Scorecards are analytically sound and the scoring criteria and User Guide are up-to-date.
- Transparency: In-depth model development and maintenance documentation identifies how a Scorecard was developed, its limitations, use of data, and performance.
- Quick deployment: Unlike other solutions, our Scorecards provide an off-the-shelf solution, so you can free up resources in your company to help increase efficiency throughout your business.
- Over 70 Scorecards* offer sector-specific, globally applicable sector and geographic coverage for all major asset classes, governments, real estate, and project finance.

* As of October 2019

Let us help you

Our bespoke modelling and integration team can help transition your existing internal processes or scoring models and facilitate knowledge transfer on the methodology behind the Scorecards.

Credit Assessment Scorecards: 6 Key Sectors

Sector	Sub-Sectors
Financial Institutions	Banks, Insurance, Brokers/Dealers, etc.
Corporates	Large Corporations, Small and Medium Enterprises (SMEs), Commodity Traders, and various other sector-specific scorecards
Governments	Sovereigns, Local and Regional Governments, US Public Finance (PFAST)
Real Estate	Commercial Real Estate (CREST), Real Estate Investment Trusts (REITs), Real Estate Developers
Project Finance	Energy, Infrastructure, etc.
Specialised Lending	Asset Finance (Aviation, Shipping), Structured Trade and Commodity Finance

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