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Appendix B D&B Rating & Score Explanations



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D&B Rating & Score Explanations

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IMPORTANT: Make a backup copy of your database BEFORE beginning any procedures.
You should already have a regular database backup policy in place.



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US – Rating Key

The most widely used credit rating in American business, a D&B Rating allows you to quickly assess a company's overall creditworthiness. A company's D&B rating is made up of two components:

- A *Rating Classification*, which indicates a range of the company's worth as computed by D&B when a company provides D&B with book financial statements (Interim or Fiscal) or number of employees
- A *Composite Credit Appraisal*, which reflects D&B's assessment of overall creditworthiness (risk of default and slow pay)

Rating Classification		Composite Credit Appraisal			
(Based on worth from an interim or fiscal balance sheet)		High	Good	Fair	Limited
5A	\$50,000,000 and Over	1	2	3	4
4A	10,000,000 to 49,999,999	1	2	3	4
3A	1,000,000 to 9,999,999	1	2	3	4
2A	750,000 to 999,999	1	2	3	4
1A	500,000 to 749,999	1	2	3	4
BA	300,000 to 499,999	1	2	3	4
BB	200,000 to 299,999	1	2	3	4
CB	125,000 to 199,999	1	2	3	4
CC	75,000 to 124,999	1	2	3	4
DC	50,000 to 74,999	1	2	3	4
DD	35,000 to 49,999	1	2	3	4
EE	20,000 to 34,999	1	2	3	4
FF	10,000 to 19,999	1	2	3	4
GG	5,000 to 9,999	1	2	3	4
HH	Up to 4,999	1	2	3	4



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When a company's worth is not available to D&B, D&B may assign a Rating Classification based on the total number of employees.

Rating Classification		Composite Credit Appraisal		
(Based on number of employees)		Good	Fair	Limited
1R	10 or more employees	2	3	4
2R	1-9 employees	2	3	4

Key to US – Employee Range Designations

Certain lines of business, primarily banks, insurance companies, and government entities, do not lend themselves to classification under the D&B Rating System. Instead, we assign these types of businesses an **Employee Range** symbol based on number of people employed. No other significance should be attached to this symbol.

As an example, a company with an ER7 designation has between five and nine employees. ERN indicates that there is no employee data available to D&B. This should *not* be interpreted as a negative designation.

Employee Range Designation	Number of Employees
ER1	1000 or more
ER2	500-999
ER3	100-499
ER4	50-99
ER5	20-49
ER6	10-19
ER7	5-9
ER8	1-4
ERN	Not available



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US – Blank Rating

When a D&B Rating has not been assigned to a firm, its report and **Reference Book** listing will reflect a “-” symbol. A **Blank Rating** should not be interpreted as indicating that credit should be denied. It simply means that the information available to Dun & Bradstreet does not permit the assignment of a D&B Rating. It indicates that a review of a full report should be made before reaching a credit decision.

What conditions lead to a Blank Rating?

In many cases a Blank Rating is used because a current financial statement on the business is not available to D&B. Some other reasons for using a Blank Rating include:

- Deficit net worth
- Bankruptcy proceedings
- A critical financial condition
- Extensive public filings against a company (i.e., lawsuits, liens, judgments)
- Lack of sufficient payment information
- Incomplete history indicator in the BIR summary
- Blank rating on the firm’s parent company

Other US – Rating Indicators

Occasionally when you pull a full report, you will see other indicators in place of the D&B Rating. Following is a list of indicators and their significance:

Rating	Meaning	Significance
DS	DUNS Support	Information available to D&B does not permit us to classify company within our rating key.
FB	Foreign Branch	The company is a branch of a foreign firm.
INV	Investigative	D&B is currently conducting an investigation on the business to get the most current details at the time you ordered the report.
NQ	Not Quoted	This is generally assigned when a business has been confirmed as no longer active at the location, or when D&B is unable to confirm active operations. It may also appear on some branch reports, when the branch is located in the same city as its headquarters.



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European Rating Key

Financial Strength Indicator	Capital	All EURO Countries	
		From	To
5A	5AA	50,000,000	
4A	4AA	25,000,000	49,999,999
3A	3AA	10,000,000	24,999,999
2A	2AA	2,000,000	9,999,999
1A	1AA	1,000,000	1,999,999
A	AA	500,000	999,999
B	BB	250,000	499,999
C	CC	150,000	249,999
D	DD	100,000	149,999
E	EE	50,000	99,999
F	FF	25,000	49,999
G	GG	10,000	24,999
H	HH	0	9,999

Used for Markets with EURO Currency: Belgium, France, Germany, Italy, Ireland, Luxemburg, Netherlands, Portugal, and Spain.

N	Negative Net Worth: Negative balance of equity after deduction of intangibles.
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If Net Worth/Issued Capital is not known, then one of the following will be used.

O	Net Worth Undetermined: Accounts unavailable or older than 2 years.
NB	New Business: less than 12 months old.
NQ	Out of Business: Business has ceased to trade.



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Nordic Rating Key

Nordic Rating	Guide to Interpretation		European Risk Indicator Equivalent
AAA	Highest Credit Worthiness	Excellent company. Very good capacity for meeting payment liabilities.	1
AA	Good Credit Worthiness	Good capacity for meeting payment liabilities.	2
A	Credit Worthy	Sufficient capacity for meeting payment liabilities.	3
AN	Newly Established	New company with no significant negative information.	3
B	Credit Against Security	The financial capacity of the company seems unsatisfactory. Security is advised.	4
C	Credit Rejected	The financial capacity of the company seems weak. Security is advised.	4
-	Rating Not Established	Essential information is missing or out of date.	-

The “Triple A” system assimilates financial strength and risk indication into an Alphabetic-only rating presentation.

Denmark, Finland, Norway and Sweden all use the “Triple A” system.

The “Triple A” Rating is based on four Credit Profiles:

1. History / Operation
2. Shareholders / Management
3. Finance
4. Ability to Pay



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US – PAYDEX Key

The PAYDEX is a dollar-weighted numerical score that reflects a company’s payment performance as reported to D&B.

A score of 80 denotes that payments reported to D&B have generally been made within terms. Scores over 80 indicate that payments reported to D&B generally have been made earlier than terms. The table below provides a key to the PAYDEX score.

As an example, a company with a PAYDEX of 50 is paying its vendor obligations reported to D&B in an average* of 30 days beyond the terms granted.

**This is a dollar-weighted average.*

PAYDEX Score	Indicates the following payment practices:
100	Anticipates
30	Discounts
80	Prompt
70	15 days beyond terms
60	22 days beyond terms
50	30 days beyond terms
40	60 days beyond terms
30	90 days beyond terms
20	120 days beyond terms
UN	Unavailable**

**When a score is unavailable, it is due to the insufficient amount of payment information in D&B’s file and should not be construed as a negative score. (D&B will not issue a PAYDEX score on a company unless there are four or more trade experiences in D&B’s file, OR the total high credits equal 1% or more of annual sales.



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US – Commercial Credit Score

D&B Commercial Credit Score – Summary Projected Performance Table

Risk Class	Cumulative Credit Score Performance						Credit Score Performance Within Range			
	Score Range	Percentile Range	% of Accounts	Delinquency Rate	% of Bads Identified	Good-Bad Ratio	Score Range	Percentile Range	Delinquency Rate	% of Bads Identified
1	536-670	91-100	10%	2.5%	98.6%	39	536-670	91-100	2.5%	1.4%
2	493-670	71-100	30%	4.0%	92.9%	24	493-535	71-90	4.8%	5.7%
3	423-670	31-100	70%	9.1%	62.4%	10	423-492	31-70	12.9%	30.5%
4	376-670	11-100	90%	12.6%	34.1%	7	376-422	11-30	24.2%	28.3%
5	101-670	1-100	100%	17.3%	0.0%	5	101-375	1-10	58.8%	34.1%

Explanations

Cumulative Credit Score Performance

- **% of Accounts:** The percentage of businesses projected to receive a score (or percentile) between the cutoff and 670 (or 100th percentile). Businesses below the cutoff score are reviewed, declined, etc. For example, to develop a credit policy, which approves a projected 70% of all customers requires accepting accounts scoring at or above 423 (or 31st percentile). Accounts scoring between 101 and 422 (or 1-30th percentile) are reviewed, declined, etc.
- **Cumulative Delinquency Rate:** The delinquency rate for those businesses that score between the lowest value in the score range (or percentile) and 670 (or 100 percentile). For example, the delinquency rate for a credit policy, which approves all businesses with a score at or above 423 (or 31st percentile) is expected to be 9.1%.
- **Cumulative % of Bads Identified:** The percentage of total delinquent accounts that score between 101 (or 1st percentile) and the lowest value in the score range. For example, approving businesses with a score at or above 423 (or 31st percentile) and rejecting those scoring below is expected to eliminate 62.4% of the bad accounts.
- **Cumulative Good-Bad Ratio (Odds):** The ratio of “Good” accounts to “Bad” accounts among those businesses that score between the lowest value in the score range and 670 (or 100th percentile). For example, for a credit policy, which approves all accounts scoring at or above 423 (or 31st percentile) should result in a portfolio with 10 “Good” accounts for every “Bad” account.

Credit Score Performance Within Range

- **Delinquency Rate Within Range:** The delinquency rate for those businesses that score within the score range. For example, the delinquency rate for companies scoring between 376 (or 11th percentile) and 422 (or 30th percentile) is expected to be 24.2%.



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- **% of Bads Identified within Range:** The percentage of total delinquent accounts within the score range. For example, 28.3% of the companies paying in a delinquent manner are expected to score between 376 (or 11th percentile) and 422 (or 30th percentile).

NOTE: The D&B Commercial Credit Score predicts the likelihood of a firm paying in a severely delinquent manner. A severely delinquent firm is defined as a business with at least 25% of its payments slow and at least 10% of its payments 90 days or more past due.

D&B Commercial Credit Score – Detailed Projected Performance Table

Cumulative Credit Score Performance						Credit Score Performance Within Range			
Cumulative Score Range	Percentile Range	Approval Rate	Delinquency Rate	% of Bads Identified	Good-Bad Ratio	Marginal Score Range	Percentile Range	Delinquency Rate	% of Bads Identified
551-670	96-100	5%	2.1%	99.4%	48	551-670	96-100	2.1%	0.6%
536-670	91-100	10%	2.5%	98.6%	39	536-550	91-95	2.9%	0.8%
524-670	86-100	15%	2.9%	97.5%	34	524-535	86-90	3.6%	1.1%
514-670	81-100	20%	3.2%	96.2%	30	514-523	81-85	4.4%	1.3%
503-670	76-100	25%	3.6%	94.7%	26	503-513	76-80	5.2%	1.5%
493-670	71-100	30%	4.0%	92.9%	24	493-502	71-75	6.1%	1.8%
481-670	66-100	35%	4.5%	90.7%	21	481-492	66-70	7.3%	2.2%
470-670	61-100	40%	5.1%	88.1%	19	470-480	61-65	8.7%	2.6%
459-670	56-100	45%	5.6%	85.0%	17	459-469	56-60	10.5%	3.1%
450-670	51-100	50%	6.3%	81.4%	15	450-458	51-55	12.2%	3.6%
442-670	46-100	55%	7.0%	77.3%	13	442-449	46-50	13.9%	4.1%
434-670	41-100	60%	7.7%	72.8%	12	434-441	41-45	15.5%	4.5%
429-670	36-100	65%	8.5%	67.8%	11	429-433	36-40	17.2%	5.0%
423-670	31-100	70%	9.1%	62.4%	10	423-428	31-35	18.4%	5.4%
415-670	26-100	75%	9.9%	56.5%	9	415-422	26-30	20.2%	5.9%
406-670	21-100	80%	10.7%	49.9%	8	406-414	21-25	22.5%	6.6%
402-670	16-100	85%	11.5%	42.7%	8	402-405	16-20	24.6%	7.2%
376-670	11-100	90%	12.6%	34.1%	7	376-401	11-15	29.6%	8.6%
324-670	6-100	95%	14.3%	21.1%	6	324-375	6-10	44.9%	13.0%
101-670	1-100	100%	17.3%	0.0%	5	101-323	1-5	72.7%	21.1%



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Explanations

Cumulative Credit Score Performance

- **Approval Rate:** To set an approval rate, select the appropriate projected score or percentile range cutoff that yields the desired approval rate. Approved businesses are companies scoring between the lowest value in the score range (or percentile) and 670 (or 100th percentile). Businesses below the cutoff are reviewed, declined, etc. For example, to develop a credit policy, which approves a projected 80% of all customers requires accepting accounts scoring between 406-670 (or 21-100th percentile). Accounts scoring 405 and under (or 1-20th percentile) are reviewed, declined, etc.
- **Delinquency Rate:** The delinquency rate represents those businesses that score between the lowest value in the score range and 670. For example, the delinquency rate for a credit policy, which approves all businesses with a score at or above 406 (or 21st percentile) is expected to be 10.7%.
- **% of Bad Accounts Identified:** The percentage of total delinquent accounts that score between 101 (1st percentile) and the cutoff point for the approval rate. For example, approving businesses with a score at or above 406 (21st percentile) is expected to eliminate 49.9% of the bad accounts.
- **Good-Bad Ratio (Odds):** The ratio of “Good” accounts to “Bad” accounts among those businesses that score between the lowest value in the score range and 670 (or 100th percentile). For example, a credit policy, which approves all accounts scoring at or above 406 (or 21st percentile) should result in a portfolio with 8 “Good” accounts for every “Bad” account in the portfolio.

Credit Score Performance Within Range

- **Delinquency Rate Within Range:** The incidence of severe delinquency for those businesses that score within the score range. For example, the delinquency rate for companies scoring between 402 and 405 (16-20th percentile) is expected to be 24.6%.
- **% of Bad Accounts Identified within Range:** The percentage of total delinquent accounts within the score range. For example, 7.2% of all companies paying in a delinquent manner are expected to score between 402 and 405 (16-20th percentile).

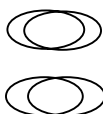
NOTE: The D&B Commercial Credit Score predicts the likelihood of a firm paying in a severely delinquent manner. A severely delinquent firm is defined as a business with at least 25% of its payments slow and at least 10% of its payments 90 days or more past due.



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D&B Commercial Credit Score – Crosswalk Table

Delinquency Rate	Score		Percentile		Approval Rate	
	Old (prior to 9/2/2002)	New (beginning 9/2/2002)	Old (prior to 9/2/2002)	New (beginning 9/2/2002)	Old (prior to 9/2/2002)	New (beginning 9/2/2002)
2.2%	547	547	96	95	5%	6%
2.6%	535	533	91	90	10%	11%
2.9%	527	524	86	86	15%	15%
3.2%	521	514	81	81	20%	20%
3.5%	514	507	76	78	25%	23%
3.7%	506	502	71	75	30%	26%
4.0%	497	493	66	71	35%	30%
4.3%	489	486	61	68	40%	33%
4.7%	480	477	56	64	45%	37%
5.1%	469	470	51	61	50%	40%
5.7%	457	459	46	56	55%	45%
6.2%	448	452	41	52	60%	49%
6.8%	440	444	36	47	65%	54%
7.5%	430	436	31	42	70%	59%
8.3%	418	430	26	36	75%	65%
9.2%	409	421	21	30	80%	71%
10.2%	388	414	16	24	85%	77%
11.6%	361	402	11	16	90%	85%
13.6%	325	348	6	8	95%	93%
17.3%	101	101	1	1	100%	100%



How to use this Table:

This Crosswalk Table was designed to assist current D&B Commercial Credit Score customers to transition to D&B’s enhanced model with ease. In order to retain your current delinquency or approval rate, simply find the old score or percentile cut-off you are using and you’ll see what the corresponding new score or cut-off should be.



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Example #1: Using the Percentile

With the old model: Your current decision rules call for you to accept companies with a percentile of 31 and greater, and reject those with a percentile of 21 and below.

With the new model: To maintain similar approval rates, you would adjust your matrix to approve companies with a percentile of 42 and above and deny those with a percentile of 30 and below.

Example #2: Using the Delinquency Rate

With the old model: Your risk tolerance is 9.2% delinquency, so your score cut-off is 409 (or the 21st percentile).

With the new model: In order to retain your 9.2% delinquency rate, you will adjust your matrix so your score cut-off becomes 421 (or the 30th percentile).

US – Financial Stress Score

D&B US Financial Stress Score – Detailed Projected Performance Table

Cumulative Financial Stress Score Performance							Financial Stress Score Performance Within Range				
Risk Class	Score Range	Percentile Range	% of Accounts	Failure Rate	% of Failures Identified	Good-Bad Ratio	Score Range	Percentile Range	% Within Range	Failure Rate	% of Failures Identified
1	1377-1875	21-100	80%	0.49%	72.0%	205	1377-1875	21-100	80%	0.49%	28.0%
2	1353-1875	11-100	90%	0.61%	62.1%	163	1353-1376	11-20	10%	1.37%	9.9%
3	1303-1875	5-100	96%	0.77%	45.1%	130	1303-1352	5-10	6%	3.73%	17.0%
4	1225-1875	2-100	99%	0.99%	26.4%	100	1225-1302	2-4	3%	8.30%	18.7%
5	1001-1875	0-100	100%	1.40%	0%	73	1001-1224	0-1	1%	35.80%	26.4%

Explanations

Cumulative Financial Stress Score Performance

- **% of Accounts:** To set an approval rate, select the appropriate percentile range that yields the desired approval rate. For example, to develop a credit policy that approves a projected 96% of all customers requires accepting accounts scoring at or above 1303 (or 5-100 percentiles). Businesses scoring below the cutoff score (1001 - 1302) are reviewed, declined, etc.
- **Failure Rates:** The failure rate represents those businesses that score between the lowest value in the score range (or percentile) and 1875 (or 100 percentile). For example, the failure rate for a credit policy which approves all businesses with a score at or above 1303 (or 5-100 percentiles) is expected to be 0.77%.



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- **% of Bads Identified:** The percentage of total failed businesses that score between 1,001 and the cutoff point for the approval rate. For example, approving businesses with a score above 1303 (or 5-100 percentiles) is expected to eliminate 45.1% of the bad accounts.
- **Good-Bad Ratio (Odds):** The ratio of “Good” accounts to “Bad” accounts among those businesses that score between the lowest value in the score range and 1875 (or 100 percentile). For example, a credit policy that approves all accounts scoring at or above 1303 (or 5-100 percentiles) should result in a portfolio with 130 “Good” accounts for every “Bad” account in the portfolio.

Financial Stress Score Performance Within Range

- **Failure Rate within Range:** The incidence of failure for those businesses that score within the score range. For example, the failure rate for companies scoring between 1225 and 1302 (or 2-4 percentiles) is expected to be 8.30%.
- **% of Bads Identified:** The percentage of total failed businesses within the score range. For example, 18.7% of failed companies are expected to score between 1225 and 1302 (or 2-4 percentile).

NOTE: Each Financial Stress Score classification has an incidence of financial stress associated with it that is compared to the national average for all companies. The Percentage of Accounts, Percentile Ranges, and Percent within Range are rounded to the nearest whole and are classified as being approximated.

This Projected Performance Table is based on a generic model. Performance may vary based on individual customer portfolios.



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US D&B Financial Stress Score – Crosswalk Table

Failure Rate	Score		Percentile		Approval Rate	
	Old (prior to 9/2/2002)	New (beginning 9/2/2002)	Old (prior to 9/2/2002)	New beginning 9/2/2002)	Old (prior to 9/2/2002)	New beginning 9/2/2002)
0.05%	1551	1539	96	96	5%	5%
0.07%	1529	1522	91	92	10%	9%
0.08%	1514	1519	86	91	15%	10%
0.10%	1502	1501	81	85	20%	16%
0.11%	1492	1493	76	82	25%	19%
0.13%	1482	1480	71	77	30%	24%
0.15%	1474	1470	66	72	35%	29%
0.16%	1465	1465	61	70	40%	31%
0.18%	1457	1457	56	65	45%	36%
0.20%	1448	1449	51	61	50%	40%
0.22%	1440	1443	46	57	55%	44%
0.25%	1429	1435	41	52	60%	49%
0.27%	1423	1427	36	48	65%	53%
0.30%	1411	1419	31	43	70%	58%
0.34%	1399	1409	26	37	75%	64%
0.38%	1388	1399	21	31	80%	70%
0.44%	1373	1388	16	25	85%	76%
0.48%	1361	1379	11	22	90%	79%
0.57%	1343	1363	6	13	95%	88%
1.4%*	1001	1288	1	1	100%	100%

*2001 Failure Rate

How to use this Table:

This Crosswalk Table was designed to assist current US D&B Failure Risk Score customers to transition to D&B's enhanced model with ease. In order to retain your current failure or approval rate, simply find the old score or percentile cutoff you are using and you'll see what the corresponding new score or cut-off should be.

Example #1: Using the Percentile

With the old model: Your current decision rules call for you to accept companies with a percentile of 31 and greater, and reject those with a percentile of 21 and below.

With the new model: To maintain similar approval rates, you would adjust your matrix to approve companies with a percentile of 43 and above and deny those with a percentile of 31 and below.



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Example #2: Using the Failure Rate

With the old model: Your risk tolerance is 0.38% failure rate, so your score cut-off is 1388 (or the 21st percentile).

With the new model: In order to retain your 0.38% failure rate, you will adjust your matrix so your score cut-off becomes 1399 (or the 31st percentile).

D&B US Financial Stress Score – Detailed Projected Performance Table

Cumulative Financial Stress Score Performance						Financial Stress Score Performance Within Range			
Cumulative Score Range	Percentile Range	Approval Rate	Failure Rate	% of Failures Identified	Good-Bad Ratio	Marginal Score Range	Percentile Range	Failure Rate	% of Failures Identified
1539-1875	96-100	5%	0.05%	99.8%	1883	1539-1875	96-100	0.05%	0.2%
1519-1875	91-100	10%	0.08%	99.4%	1280	1519-1538	91-95	0.09%	0.3%
1504-1875	86-100	15%	0.10%	98.9%	1030	1504-1518	86-90	0.15%	0.5%
1490-1875	81-100	20%	0.12%	98.1%	856	1490-1503	81-85	0.20%	0.8%
1478-1875	76-100	25%	0.14%	97.1%	728	1478-1489	76-80	0.25%	0.9%
1467-1875	71-100	30%	0.16%	96.0%	626	1467-1477	71-75	0.32%	1.2%
1458-1875	66-100	35%	0.18%	94.6%	553	1458-1466	66-70	0.37%	1.2%
1449-1875	61-100	40%	0.20%	93.1%	489	1449-1457	61-65	0.39%	1.5%
1441-1875	56-100	45%	0.23%	91.5%	435	1441-1448	56-60	0.46%	1.7%
1433-1875	51-100	50%	0.26%	89.6%	389	1433-1440	51-55	0.50%	1.9%
1424-1875	46-100	55%	0.28%	87.4%	350	1424-1432	46-50	0.58%	2.1%
1414-1875	41-100	60%	0.32%	84.8%	314	1414-1423	41-45	0.66%	2.5%
1406-1875	36-100	65%	0.35%	82.1%	282	1406-1413	36-40	0.76%	2.9%
1399-1875	31-100	70%	0.39%	79.4%	254	1399-1405	31-35	0.76%	2.9%
1389-1875	26-100	75%	0.43%	75.8%	230	1389-1398	26-30	0.94%	3.3%
1377-1875	21-100	80%	0.49%	71.9%	205	1377-1388	21-25	1.12%	4.5%
1367-1875	16-100	85%	0.54%	67.6%	183	1367-1376	16-20	1.12%	4.5%
1353-1875	11-100	90%	0.61%	61.7%	163	1353-1366	11-15	1.26%	5.9%
1315-1875	6-100	95%	0.73%	49.4%	136	1315-1352	6-10	3.30%	12.7%
1001-1875	1-100	100%	1.40%	0.0%	73	1001-1314	1-5	13.34%	49.4%



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Explanations

Cumulative Financial Stress Score Performance

- **Approval Rate:** To set an approval rate, select the appropriate projected score or percentile cutoff that yields the desired approval rate. Approved businesses are companies scoring between the lowest value in the score range (or percentile) and 1875 (or 100 percentile). For example, a credit policy, which approves 70% of all accounts, requires accepting accounts between 1399-1875 (or 31-100 percentiles). Accounts scoring below the cutoff (1001-1399) are reviewed, declined, etc.
- **Failure Rate:** The failure rate represents those businesses that score between the lowest value in the score range and 1875. For example, the failure rate for a credit policy which approves all businesses with a score at or above 1399 (or 31-100 percentiles) is expected to be 0.39%.
- **% of Bads Identified:** The percentage of total failed businesses that score between 1001 and the cutoff point for the approval rate. For example, approving businesses with a score above 1399 (31-100 percentiles) is expected to eliminate 79.4% of the bad accounts.
- **Good-Bad Ratio (Odds):** The ratio of “Good” accounts to “Bad” accounts among those businesses that score between the lowest value in the score range and 1875 (or 100 percentile). For example, a credit policy which approves all accounts scoring at or above 1399 (or 31-100 percentiles) should result in a portfolio with 254 “Good” accounts for every “Bad” account in the portfolio.

Financial Stress Score Performance Within Range

- **Failure Rate:** The incidence of failure for those businesses that score within the score range. For example, the failure rate for companies scoring between 1389 and 1398 (26-30 percentile) is expected to be 0.94%.
- **% of Bads Identified:** The percentage of total failed businesses within the score range. For example, 3.3% of all failed companies are expected to score between 1389 and 1398 (26-30 percentile).

NOTE: Each financial stress score classification has an incidence of financial stress associated with it that is compared to the national average for all companies. The Percentile Ranges are rounded to the nearest whole and are classified as being approximated.

This Projected Performance Table is based on a generic model. Performance may vary based on individual customer portfolios.



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US – Small Business Risk Account Solution

The Small Business Risk Account Solution consists of a series of scorecards. Based on the amount of data that is utilized, the most appropriate scorecard in the model suite is automatically selected.

These models are based upon the observed characteristics of hundreds of thousands of businesses in D&B's database and from consumer data on the principal owners of the business and the accompanying relationship these characteristics have to the probability of a company experiencing severe delinquency over a period of 12 months.

A severely delinquent company is defined as one that fails to repay its financial obligation within 90 days past the payment due date, or obtains legal relief from creditors, or ceases operations without paying all creditors in full over the next 12 months, based on the information in D&B's commercial database and/or consumer bureau database.

The Small Business Risk Account Scoring models assign two measurements of risk to the business being evaluated:

1. A **"Percentile" of 1 – 100**, where a 1 represents businesses that have the highest probability of severe delinquency, and a 100 which represents businesses with the lowest probability of severe delinquency. This Percentile illustrates where a company falls among businesses in the development samples, and is most effectively used by customers to rank order their portfolios from highest to lowest risk of business delinquency. This gives the user a quick and easy measure of the risk of the business relative to other businesses.
2. A **"Class" of 1 – 5**, which is a segmentation of the businesses evaluated into five distinct risk groups where a one (1) represents businesses that have the lowest probability of severe delinquency, and a five (5) represents businesses with the highest probability of severe delinquency. This Class enables a customer to quickly segment their new accounts into various risk segments to determine appropriate marketing or credit policies. As the chart below illustrates, most businesses will fall in the middle risk ranges (2-4). Only the relatively few low risk and high risk businesses will fall into the extreme categories of 1 or 5 respectively.



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Risk Rank	Small Business Risk Account Score Performance					Small Business Risk Account Score Performance Within Range		
	Percentile Range	% of Accounts	Delinquency Rate	% of Bads Identified	Good – Bad Ratio	Percentile Range	Delinquency Rate	% of Bads Identified
1	91-100	10%	2-4%	97-99%	24-39	91-100	3-4%	1-3%
2	71-100	30%	4-6%	88-93%	17-24	71-90	5-6%	6-9%
3	31-100	70%	8-9%	57-62%	10-11	31-70	10-13%	30-31%
4	11-100	90%	11-13%	26-34%	7-8	11-30	21-24%	28-31%
5	1-100	100%	13-17%	0.0%	1-10	35-59%	26-34%	1-10

Statistics like these provide useful information that can be used to help management determine credit policy related to the use of the models. Because applicant populations and credit grantor methods are highly variable, these statistics should not be construed as precise forecasts for individual portfolios, and credit managers should combine their own expertise and experience with scores for comprehensive underwriting strategies.

In addition, models are developed assuming that the relationships observed between past customers' characteristics and subsequent payment performance will hold true on future customers. Because of this assumption statistics should be viewed as estimates, and not precise forecasts, of future performance at a given score.

Nevertheless, models are robust tools for rank-ordering risk in changing circumstances; higher scoring applicants perform better than lower scoring applicants. Tracking the score distributions and the actual performance of accounts provides the most accurate projections for individual portfolios.