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Understanding the D&B US Delinquency Predictor™

This document is intended to address the following questions:

- What is the Delinquency Predictor?
- What does the Delinquency Predictor predict?
- How is the Delinquency Predictor calculated?
- What is the availability of the Delinquency Predictor?
- How does the Delinquency Predictor perform?

I. INTRODUCTION

The Delinquency Predictor is the next generation of the original Commercial Credit Score. Dun & Bradstreet recognized the increasingly complex challenges our customers are facing and determined to develop a groundbreaking new indicator in response to those needs. Delinquency Predictor is for credit management professionals who need to assess the risk of business delinquency.

The Delinquency Predictor provides more commercial delinquency insight for new and existing account decisions. Combining Dun & Bradstreet's new proprietary predictive data sources, including more intelligence on small and new businesses, with superior analytical methods, the Delinquency Predictor identifies more of your severely slow-paying customers.

The Delinquency Predictor predicts the likelihood that a company will pay in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months based on the information in the Dun & Bradstreet Data Cloud. A severely delinquent firm is defined as a business with at least 10% of its dollars 91+ days slow. Dollars are weighted based on total balance of 91+ accounts compared to total balance owed.

The Delinquency Predictor uses statistical probabilities to classify companies into three risk classifications: Credit Risk Score; Percentile Ranking, and Risk Class segmentation. These classifications are based on the chance of a business experiencing the above definition of "severe delinquency" over the next 12-month period.

The Delinquency Predictor Scoring models utilize the combined power of the Dun & Bradstreet Data Cloud on 30 million U.S. businesses, including Detailed Commercial Payment Experiences that captures month-to-month payment trends, Public Filing, Demographic, Trade Proxies, and Financial information.

The integrity of the information contained in the Dun & Bradstreet Data Cloud is driven by our proprietary DUNSRight® Quality Process, plus our Global Data, Insights & Analytics (GDIA) Strategy. DUNSRight is our process for collecting and enhancing information. GDIA was created in 2012 to focus on advanced data improvements and innovations fueling the improvements in delivering predictive and actionable insight to our customers Our expert team of statisticians and economists lead the development of our Predictive Indicator solutions, the fifth and final component of the sequential DUNSRight process, and are responsible for turning our vast Data Cloud into actionable business insights, enabling you to more confidently make critical risk decisions.

The Delinquency Predictor is a suite of scorecards – a proprietary modeling system – that is highly effective in helping to predict the potential delinquency of your existing and prospective customers. The solution adds greater precision, accuracy, and confidence in allowing you to:

- Automate decisions for increased efficiency
- Process large volumes of transactions faster
- Take proactive risk management actions on high risk accounts in order to minimize exposure/bad debt
- Free up resources to look at time-intensive borderline decisions
- Enable more consistent decisions across the entire organization
- Reduce the costs associated with full-scale application and annual risk reviews
- Apply scores across an entire portfolio to quickly identify risk and opportunity
- Manage collection resources with prioritized actions for delinquent accounts

This document explains in greater detail how the Delinquency Predictor was developed.

II. DELINQUENCY PREDICTOR

What the Delinquency Predictor Predicts

The Delinquency Predictor provides more commercial delinquency insight for new and existing account decisions. Combining Dun & Bradstreet's new proprietary predictive data sources, including more intelligence on small and new businesses, with superior analytical methods, the Delinquency Predictor identifies more of your severely slow-paying customers.

The Delinquency Predictor predicts the likelihood that a company will pay an account in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months based on the information in Dun & Bradstreet's

files. A severely delinquent firm is defined as a business with at least 10% of its weighted dollars 91+ days slow. Dollars are weighted based on total balance of 91+ accounts compared to total balance owed.

The scores and underlying models are based upon the observed characteristics of several million businesses in the Dun & Bradstreet Data Cloud and the relationship these characteristics have to the probability of a company experiencing severe delinquency over a period of 12 months.

The Delinquency Predictor assigns three measurements of risk:

1. A "Score" of 101 – 670, where 101 represents businesses that have the highest probability of severe delinquency, and 670 represents businesses with the lowest probability of severe delinquency. This score provides a direct relationship between the score and the level of risk. The marginal odds of being good doubles for each 40 point increase. For example, business that scores a 240, on a marginal basis, is half as risky as a business that scores a 200. This score enables a customer to utilize more granular cutoffs to drive their automated decision-making process.

2. A "Percentile" of 1 – 100, where 1 represents businesses that have the highest probability of severe delinquency, and 100 which represents businesses with the lowest probability of severe delinquency. This Percentile illustrates where a company falls among all businesses in the Dun & Bradstreet Data Cloud, and is most effectively used by customers to rank order their portfolios from highest to lowest risk of
severe delinquency.

3. A "Class" of 1 – 5, segments of the scoreable universe 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 and existing accounts into various risk segments to determine appropriate marketing or credit policies.

Table 1: Illustrates the distribution of the Delinquency Predictor Class in the Dun & Bradstreet Business Universe. In addition, this table displays the associated Percentile Ranking and Score.

Table 1: Distribution of D&B Delinquency Predictor Risk Class

D&B DELINQUENCY PREDICTOR RISK CLASS	% OF BUSINESSES WITH D&B DELINQUENCY PREDICTOR CLASS	D&B DELINQUENCY PREDICTOR PERCENTILE	DELINQUENCY PREDICTOR SCORE
1	10%	91-100	580-670
2	20%	71-90	530-579
3	40%	31-70	481-529
4	20%	11-30	453-480
5	10%	1-10	101-452

Availability of the Delinquency Predictor

A Delinquency Predictor is available on approximately 28 million of the 30 million U.S.-based companies. Delinquency Predictor is not available on business files that fall into the following categories:

- Business records with a missing or invalid address.
- Branch records with a foreign headquarter location.
- Businesses that have been self-requested a D-U-N-S Number and Dun & Bradstreet has not yet conducted an investigation. Such cases are added to the Data Cloud as D-U-N-S Support records and will remain as such until a thorough investigation yields more substantial information.
- Delinquency Scores are not calculated for businesses designated as "Business Deterioration" [1] records within 90 days. These companies continue to operate and have not filed for bankruptcy. These businesses are not assigned a score.
- Delinquency Scores are not calculated for those businesses designated as "Discontinued at This Location," "Open Bankruptcy", "Higher Risk" [2]. These records are automatically assigned a class of zero (0).

Note: Business Branch Locations. These inquiries will result in an automatic trade-up to a headquarter location.

1. The "Business Deterioration" designates a business showing signs of financial distress, such as existing or imminent business failure or operating difficulty as reviewed and confirmed by Dun & Bradstreet analysts.

2. These "Higher Risk" businesses include those that display characteristics of higher risk, either intentionally as in an overbuy, or may be higher risk due to other business factors

Model Development Process

The models built for the Delinquency Predictor leverage the Dun & Bradstreet Data Cloud. All the information contained within our Data Cloud has passed through our DUNSRight Quality Process. In addition, our GDIA Strategy has added:

- Improved precision when assessing risk on businesses with established commercial trade history with the inclusion of Detailed Trade Data
- The ability to differentiate between low and high risk on small businesses with limited or no commercial trade history through the introduction of new data generated from a proprietary information source, the D&B Intelligence Engine

Dun & Bradstreet's investments in data and insight activities have enabled the use of business activity "signals" generated by our patented and proprietary, rules-driven, data collection system known as Dun & Bradstreet Intelligence Engine in our predictive scores. These "signals" are particularly beneficial to differentiate between low and high risk on small businesses that tend to have limited or no commercial trade history. Dun & Bradstreet has also enhanced the depth of data utilized by the scores through the use of Detailed Trade data on businesses with established commercial trade history. Detailed Trade uses granular payment data and captures month-to-month fluctuations in payment behavior, and provides predictive lift to the scores.

The primary reason the Delinquency Predictor is so powerful in its predictive ability is the quality and depth of the information used, combined with a superior analytic approach.

The delinquency scoring models were developed using statistical modeling techniques to select and weight the data elements that are most predictive of severe delinquency. The resulting models are mathematical equations that consist of a series of variables and coefficients (weights) that have been calculated for each variable.

Model development involves selecting data available at the time of observation that will indicate how the business is expected to perform over a certain period of time. A total of 3,300,000 businesses were used to develop the Delinquency Predictor models. Trades reported on these businesses were classified into either one of two categories: "Good" which is defined as <91 past due and "Bad" which is defined as severely delinquent. During model development, each D-U-N-S (business) is weighted based on its percentage of "Good" trades and "Bad" trades. If, for example, 30% of the total amount owing is 91+ days past due and 70% is <91 past due, then this company is weighted 70% "Good" and 30% "Bad". Of the 3,300,000 population, approximately 10.2% of the trade accounts associated with these businesses were "Bad", or severely delinquent.

In the model development process, data is collected from two time periods designated as an observation window and a performance window. The observation window defines the sample used in the model, and all identification and characteristic data are collected from this time period. The predictive variables and segmentation schemes are defined from this snapshot. The performance window defines the length of time the accounts are tracked to examine their payment behavior.

In the development of the Delinquency Predictor Score, the observation snapshot used was February 2011 and the performance snapshot was the twelve months from March 2011 to February 2012.

From the observation window data, Dun & Bradstreet performed extensive data analysis to determine those variables which are statistically the most significant factors for predicting severe delinquency and calculated the appropriate weights for each. Dun & Bradstreet, with its vast Data Cloud of 30 million quality U.S. business records, is uniquely qualified to demonstrate this impact. Dun & Bradstreet identified hundreds of predictive variables from evaluating a combination of both "Good" and "Bad" performing businesses in the Dun & Bradstreet Data Cloud. Appendix A contains a sampling of data elements.

To develop the suite of final models, Dun & Bradstreet utilized our proprietary Decision Optimization Engine, as well as other specialized analytic tools, to find the best system of models to predict the risk of severe payment delinquency. This modeling platform incorporates statistical and optimization algorithms, along with insights from industry leaders and our analytical expertise, to build the most robust predictive models possible.

Scoring System and Model Selection

The ability to accurately assess risk varies greatly based on the availability of past payment performance data, so Dun & Bradstreet developed a scoring system that accounts for the correlation between past trade performance and

future severe delinquency. The result is a suite of models consisting of multiple unique scorecards. This segmented solution is driven by the availability of trade and whether or not the available trade was Prompt or Slow at time of observation. Slow means 10% or more of total dollars owing are 91+ OR 5% or more of total dollars owing or number of accounts are negative (e.g. Place for Collection).

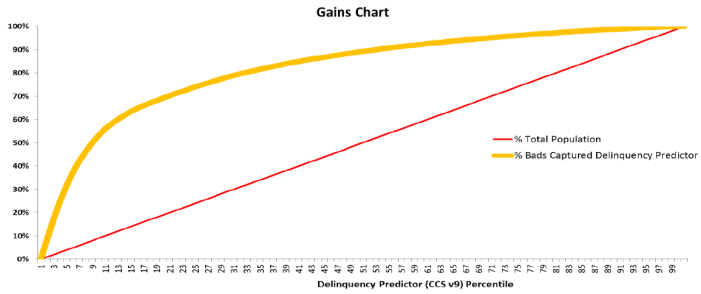
Each model was developed and optimized on a more homogenous subpopulation to account for both the size of the subject company as well as the amount of information contained in our Data Cloud on the business.

Having a system of models allows for better separation of "Good" and "Bad" accounts by focusing on unique populations. It also provides for the most predictive score possible optimized on the data available. Delinquency Predictor, therefore, provides maximum risk discriminatory power with segmented scorecards for improved risk management decisions. Model segmentation is defined by:

- Slow at time of observation
- Prompt at time of observation and <50 employees
- Prompt at time of observation and 50+ employees
- Summarized but no detailed trade was available at time of observation
- No trade reported at time of observation

Model Performance

One way to measure model performance is by examining a trade-off curve. A trade-off curve is a plot of ascending accumulation of "Good" accounts vs. "Bad" accounts. Below is a trade-off curve that illustrates the effectiveness of the Delinquency Predictor. It is useful for illustrating model performance both at a particular score and across the spectrum of score distribution.



For the example in the graph below, at approximately 10% of the cumulative population, the Delinquency Predictor model identifies approximately 52% of the cumulative "Bads". At approximately 20% of the cumulative population, the models identify approximately 62% of the cumulative "Bads". This means that if a business focused on the lowest 20% of their portfolio using the Delinquency Predictor, there would be 62% of the "Bads" in that group.

During the course of model development, various statistics from the development sample are gathered similar to the trade-off curve shown above. Development statistics provide useful information that can be used to help management determine credit policy related to the use of the models. For several reasons, however, statistics from model development should not be construed as precise forecasts for individual portfolios.

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 development statistics should be viewed as estimates, and not precise forecasts, of future performance at a given score.

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

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Appendix A

List of the Data Elements in the Delinquency Predictor Model

Following is a list of some of the data elements used in the model:

Demographic/Public Records/Business Activity Information

FACTOR	IMPACT ON MODEL
Business Activity Signals	Dun & Bradstreet's proprietary data used for Data Cloud maintenance and updates via the Intelligence Engine. Businesses that have more transactions within D&B's Intelligence Engine and more transactions with high confidence matches within Intelligence Engine are less risky.
History Indicator	A "Business" or "Management" history adversely impacts the score. Business History relates to the firm/ parent/ subsidiary when it is the defendant in criminal proceedings, files bankruptcy or debt arrangement, or has significant public filings. Management history relates to owners/ managers of a firm when there are criminal actions against those persons, individual bankruptcies, or bankruptcies/ unpaid obligations relations to companies affiliated to the same individual.
Ownership of Facility	If a firm owns its facilities, the score is positively impacted. Owned facilities provide a firm with additional control over associated costs and the working environment as a whole.
Subsidiary Indicator	Businesses that are subsidiaries are considered less risky. These businesses typically have the ability to utilize additional support if needed.
Suits, Liens, Judgments, and Prior Bankruptcies	The presence, as well as the number, of open suits, liens, or judgments. These are typically unforeseen circumstances that may negatively impact a business. The absence of public filings is considered a positive factor.
Years Since Change in Management	How long a business has been operating under the same management, is a measure of stability. The more years the firm is under the same management, the lower the risk.
Employee Size, SIC and State	Delinquency rates are calculated by employee size segments, by SIC or Industry segments and by state. Those segments with lower delinquency rates are less risky.

Demographic/Public Records/Business Activity Information

FACTOR	IMPACT ON MODEL
Age and existence of Balance Sheets	A more recent Balance Sheet indicates lower risk.
Current Ratio	Current ratio demonstrates the working capital relationship of current assets to cover current liabilities. The greater the current ratio, the lower the risk.

Payment Information

FACTOR	IMPACT ON MODEL
Number of Payment Experiences	The higher the number of trade experiences that Dun & Bradstreet, the lower the risk. With absence of trade the model will rely on demographic factors and internal Dun & Bradstreet proprietary data used for Data Cloud maintenance and updates. For these records CCs9 percentiles will be concentrated in 21-47 percentile ranges.
Negative Payment Experiences	The model weights the percentage and dollar amount of negative payment experiences in the Dun & Bradstreet Data Cloud. They consist of unsatisfactory, bad debt, suit-filed, non-sufficient funds, credit refused, placed for collection or repossession trade experiences. The higher the percentage, the higher the risk.
Satisfactory Payment Experiences	The model weights the percentage and dollar amount of satisfactory payment experiences in the Dun & Bradstreet Data Cloud. The higher the percentage of satisfactory payment experiences the lower the risk. These payments consist of trade obligation behavior such as "anticipate, discount, and prompt."
Payment Experiences 31-60 Days Past Due	The model weights the percentage and dollar amount of payment experiences 31 to 60 days past terms in the Dun & Bradstreet Data Cloud. The higher the percentage of payment experiences of the firm that fall within the 31-60 days past due category, the higher the risk.
Payment Experiences 61-90 Days Past Due	The model weights the percentage and dollar amount of payment experiences 61 to 90 days past terms in the Dun & Bradstreet Data Cloud. The higher the percentage of payment experiences of the firm that fall within the 61-90 days past due category, the higher the risk.
Payment Experiences 91 or more Days Past Due	The model weights the percentage and dollar amount of payment experiences 91 days or more past terms in the Dun & Bradstreet Data Cloud. The higher the percentage of payment experiences of the firm that fall above 90 days past due, the higher the risk.
Trending Payment Details	The model weighs the most recent total amounts owing, amounts past due, and the percentage of total balances owing and past due. The higher the percentage of the most recent amounts owing and past due when compared to past time periods, the higher the risk

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Appendix B

Key Business Commentaries

Following are some examples of commentary messages that may appear with the Delinquency Predictor.

These commentaries will appear in a rank order based on their prioritization in the model.

1. Prior bankruptcy
2. Evidence of open suits, liens, and/or judgments
3. Evidence of recent payment experiences paid later than 30 days
4. Financial statements not reported
5. Financial ratios
6. Higher risk industry based on delinquency rates for this industry
7. Higher risk region based on delinquency rates for this region
8. Historical information related to the business
9. Historical information related to the principal(s)
10. Limited time in business
11. Limited time under present management control
12. Proportion of past due balances to total amount owing
13. Proportion of slow payment experiences to total number of payment experiences reported
14. Proportion of slow payments in recent months
15. Proportion of satisfactory balances to total payment balances reported
16. Proportion of satisfactory payment experiences to total payment experiences reported
17. Proportion of payment experiences 90 or more days past due
18. Months since highest past due balance
19. Recent amount past due
20. No payment experiences reported
21. Evidence of negative trade
22. Trend in payment of accounts
23. Payment information indicates negative payment comments
24. Recent high balance past due
25. Variable Paydex over last 12 months
26. Vendor payment commentary
27. No business activity signals reported in the past 12 months

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Appendix C

D&B Delinquency Predictor – Summarized Projected Performance Table by Risk Class

RISK CLASS	CUMULATIVE D&B DELINQUENCY PREDICTOR PERFORMANCE						D&B DELINQUENCY PREDICTOR 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	580-670	91-100	10%	1.1%	98.9%	90	580-670	91-100	1.1%	1.1%
2	530-670	71-100	30%	2.0%	94.2%	48	530-579	71-90	2.5%	4.7%
3	481-670	31-100	70%	4.2%	72.0%	23	481-529	31-70	5.8%	22.2%
4	453-670	11-100	90%	5.4%	52.3%	17	453-480	11-30	9.4%	19.7%
5	101-670	1-10010%	100%	10.2%	0.0%	9	101-452	1-10	53.1%	52.3%

EXPLANATIONS

Cumulative Delinquency Predictor 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 481 (or 31st percentile). Accounts scoring between 101 and 480 (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 481 (or 31st percentile) is expected to be 4.2%.
- **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 481 (or 31st percentile) and rejecting those scoring below is expected to eliminate 72.0% 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 481 (or 31st percentile) should result in a portfolio with 23 "Good" accounts for every "Bad" account.

Delinquency Predictor 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 453 (or 11th percentile) and 480 (or 30th percentile) is expected to be 9.4%.
- **% of Bads Identified Within Range:** The percentage of total delinquent accounts within the score range. For example, 19.7% of the companies paying in a delinquent manner are expected to score between 453 (or 11th percentile) and 480 (or 30th percentile.

Note: The Dun & Bradstreet Delinquency Predictor predictive the likelihood that a business will pay an account in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months based on the information in Dun & Bradstreet's files. A severely delinquent firm is defined as a business with at least 10% of its weighted dollars 91+ days slow.

D&B Delinquency Predictor – Detailed Projected Performance Table

CUMULATIVE D&B DELINQUENCY PREDICTOR PERFORMANCE						D&B DELINQUENCY PREDICTOR 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
599-670	96-100	5%	0.8%	99.6%	118	599-670	96-100	0.8%	0.4%
580-670	91-100	10%	1.1%	98.9%	90	580-598	91-95	1.3%	0.7%
566-670	86-100	15%	1.3%	98.1%	75	566-579	86-90	1.8%	0.8%
551-670	81-100	20%	1.6%	97.0%	63	551-565	81-85	2.2%	1.1%
538-670	76-100	25%	1.8%	95.6%	54	538-550	76-80	2.8%	1.4%
530-670	71-100	30%	2.0%	94.2%	48	530-537	71-75	3.4%	1.4%
522-670	66-100	35%	2.3%	92.2%	42	522-529	66-70	3.9%	2.0%
514-670	61-100	40%	2.6%	89.8%	37	514-521	61-65	4.4%	2.4%
506-670	56-100	45%	2.9%	87.4%	34	506-513	56-60	5.0%	2.4%
500-670	51-100	50%	3.1%	84.8%	31	500-505	51-55	5.7%	2.6%
493-670	46-100	55%	3.5%	81.5%	28	493-499	46-50	6.3%	3.3%
490-670	41-100	60%	3.7%	78.5%	26	490-492	41-45	6.8%	3.0%
486-670	36-100	65%	4.0%	75.0%	24	486-489	36-40	7.1%	3.5%
481-670	31-100	70%	4.2%	72.0%	23	481-485	31-35	7.7%	3.0%
478-670	26-100	75%	4.4%	70.0%	22	478-480	26-30	8.3%	3.0%
474-670	21-100	80%	4.8%	62.7%	20	474-477	21-25	8.7%	6.3%
467-670	16-100	85%	5.1%	58.3%	19	467-473	16-20	9.5%	4.4%
453-670	11-100	90%	5.4%	52.3%	17	453-466	11-15	10.9%	6.0%
324-670	6-100	95%	6.5%	39.4%	14	324-452	6-10	26.0%	12.9%
101-670	1-100	100%	10.2%	0.0%	9	101-323	1-5	80.6%	39.4%

EXPLANATIONS

Cumulative Delinquency Predictor 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 474-670 (or 21-100th percentile). Accounts scoring 473 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 474 (or 21st percentile) is expected to be 4.8%.
- **% of Bad Accounts Identified:** The percentage of total delinquent accounts that score between 101 (or 1st percentile) and the cutoff point for the approval rate. For example, approving businesses with a score at or above 474 (or 21st percentile) is expected to eliminate 62.7% 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 474 (or 21st percentile) should result in a portfolio with 20 "Good" accounts for every "Bad" account in the portfolio.

Delinquency Predictor 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 467 and 473 (16-20th percentile) is expected to be 9.5%.
- **% of Bad Accounts Identified within Range:** The percentage of total delinquent accounts within the score range. For example, 4.4% of all companies paying in a delinquent manner are expected to score between 467 and 473 (16-20th percentile).

Note: The Dun & Bradstreet Delinquency Predictor predictive the likelihood that a business will pay an account in a severely delinquent manner (91+ days past term) over the next 12 months, seek legal relief from creditors, or cease operations without paying all creditors in full over the next 12 months based on the information in Dun & Bradstreet's files. A severely delinquent firm is defined as a business with at least 10% of its weighted dollars 91+ days slow.

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