

Press Release

Standard & Poor's Risk Solutions launches analytical service providing credit scores for private companies

New service will cover more than 500,000 European private firms, improving transparency in a sector short of consistent credit information

LONDON, 24 November 2003 - Standard & Poor's Risk Solutions, a leading provider of credit risk analytics and custom services, today announced the launch of a comprehensive credit modelling and information service covering private companies in Europe.

The quantitative analytical service – branded Standard & Poor's Credit Risk Tracker – is the first to provide probability of default scores covering hundreds of thousands of private companies across the region. Scores, as well as access to Standard & Poor's new leading-edge models, will be provided on a subscription basis to banks, finance companies, credit insurers and other organisations active in the private company lending market.

The move marks a major step for Standard & Poor's into quantitative credit analysis and represents a new rigorous effort to assess creditworthiness of private companies, including small and mid-sized enterprises (SMEs), a sector that is growing in importance but hampered by inconsistent and incomplete credit risk information.

“By providing the first Standard & Poor's benchmark of private companies' creditworthiness – through a service that combines a wide range of data, sophisticated analytics and easy access to information - we will be helping financial institutions evaluate credit risk in this important sector of the market,” said Roy Taub, global head of Standard & Poor's Risk Solutions. “Ultimately, that should improve the efficiency of the €10 trillion private company lending market in Europe and help lead to a more rational allocation of capital within it.”

Standard & Poor's Credit Risk Tracker incorporates multiple models in each country based on pooled data from a range of leading banks and data providers. These quantitative models will produce credit scores for more than 500,000 European private companies (generally, firms with revenues of €1m to €300m).

“Until now, banks and other institutions in Europe have had no consistent or comprehensive external benchmark to gauge the risk of lending to private companies,” commented Aidan O'Mahony, European head of Standard & Poor's Risk Solutions. “Now they will be able to draw on a new independent benchmark based on a wide range of data and rigorous models for assessing private company risk. This should give them greater comfort in lending decisions and a new tool to assist in their own capital management.”

Standard & Poor's has already trialled Credit Risk Tracker with a number of major European banks and received several expressions of interest about using the service to supplement their own risk assessment process. In particular, the service can be used to help ensure compliance with Basel capital adequacy rules, by providing an input into a bank's own internal ratings of private company loans and as an independent means of validating the outputs from a bank's own risk assessment models.

Eddy Hannigan, Director Portfolio Management, Corporate Banking at HBOS, one of the banks that has tested Credit Risk Tracker, commented: “We see Credit Risk Tracker complementing our own risk rating models very well. It will provide assurance that the results from our own models are accurate and robust.”

Standard & Poor's Credit Risk Tracker also has important implications for the risk transfer market, as it will provide the first independent benchmark for private company loans backing securitised bond issues. The extra transparency in this market provided by Credit Risk Tracker will support its further development, potentially enabling banks to free up more capital for further lending. At the same time, Standard & Poor's Risk Solutions will make Credit Risk Tracker available to Standard & Poor's Ratings Services, as an additional tool to help it assess ratings on this type of securitised transaction in future.

Standard & Poor's Credit Risk Tracker initially covers about 120,000 companies in the UK, 150,000 in France and 100,000 in Italy. Probability of default data on a further 200,000 companies in Germany, Spain and the Netherlands will be added in early 2004. Standard & Poor's Risk Solutions currently offers models that indicate the probability of default for Japanese small and medium-sized enterprises and a similar service is planned next year for North American middle market credits.

The underlying scoring models in each country are backed by historical financial and default data provided by a range of partners, including leading banks, credit insurers and data consolidators, in each market.

Credit Risk Tracker will provide subscribers, via the web, with information about the credit quality of individual private companies. It includes one-year probabilities of default for the current year and the previous three to five years, a summary of the main credit factors for each borrower and industry statistics. CRT's scores are generated by up to 10 industry-specific models developed by Risk Solutions for each country covered. This level of detail is unparalleled in the market and translates into equally high performance. For private companies that are not covered by Credit Risk Tracker, the underlying scoring models can be used with subscribers' own data.

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About Standard & Poor's Risk Solutions

Providing a rich variety of advanced tools and services, Standard & Poor's Risk Solutions (www.risksolutions.standardandpoors.com) helps clients worldwide to develop, enhance, and validate their credit assessment processes, collect and analyze data, model credit risk and train staff. Risk Solutions leverages more than 140 years of Standard & Poor's experience in credit assessment to help you manage your credit activities with confidence. For more information about Risk Solutions or to be added to our mailing list, please contact us at risksolutions_europe@standardandpoors.com and include full contact information.

About Standard & Poor's

Standard & Poor's, a division of *The McGraw-Hill Companies* (NYSE:MHP), is the world's foremost provider of independent credit ratings, indices, risk evaluation, investment research, data and valuations. With 5000 employees located in 20 countries, Standard & Poor's is an essential part of the world's financial infrastructure and has played a leading role for more than 140 years in providing investors with the independent benchmarks they need to feel more confident about their investment and financial decisions. For more information, visit www.standardandpoors.com.