



Markit Credit Assessment Service

Independent credit scoring to support internal rating assessment

KEY STATS

1,000+

illiquid debt / equity valuations per quarter

85,000+

evaluated bonds priced daily

6,400+

loan facilities priced daily

30,000+

public company comparables

CUSTOMERS

Banks

Insurance companies

IHS Markit provides customers with a credit score for unrated debt instruments derived from quantitative and qualitative techniques.

An internal ratings based approach used primarily by banks to meet capital requirements, categorizes their exposures into broad, qualitatively differentiated layers of risk. Banks are required to enhance their traditional, qualitatively-oriented internal assessments of credit risk by the inclusion of quantitative factors in their assessment process.

Using an internal ratings-based approach to meet capital requirements for credit risk places heavy reliance on the qualitative factors included in a bank's internal assessment process. Recent recommendations require an equal degree of qualitative and quantitative factors, including human judgment. The usage of qualitative factors depends on the quality and frequency of the available quantitative information.

Markit's credit assessment service methodology includes both quantitative and qualitative factors based on multiple inputs and includes human judgment.

We perform industry research to validate our key qualitative and quantitative factors to ensure that they continue to be in line with market best practice. Our credit score methodology is consistent with the Basel guidelines.

Independent

Objective and independent assessment of issuer and issue credit risk

Transparent

Methodology documentation provided on securities scored

Expertise

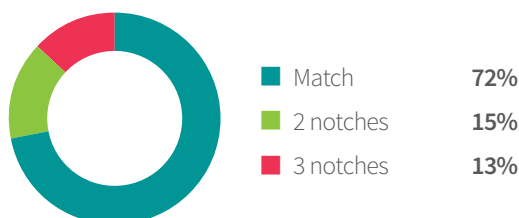
Extensive experience in illiquid debt valuations and credit risk assessment

Operational efficiency

Objective scoring based on standardised methodology

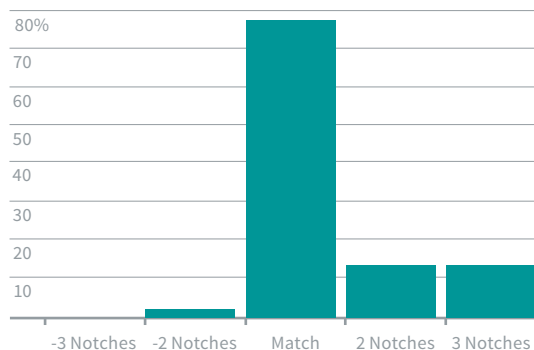
Back testing

Results from back testing the scoring system based on a sample of positions selected from a publically rated population are shown below. Each position was scored annually for the past three years. The results were compared with the available public ratings for these positions (where a “match” is defined as being within +/- 1 rating notch of the available public ratings):



The distribution of the test results compared with the available public ratings is shown below:

Distribution of results



Two tiered credit assessment system

Issuer credit assessment

Financial Condition	Economic and financial situation Leverage Profitability Cash flows
Management and ownership structure	Ownership structure Management and quality of internal controls Promptness/assessment of the willingness to pay Strength of sponsors
Qualitative factors	CIB report Sector of business Industry properties and its future prospects
Others	Country risk Comparison to external ratings Credit information from other sources

Instrument credit assessment

Instrument	Nature and purpose of loan Loan structure Product type Priority of rights in case of bankruptcy Degree of collateralization Composition of collateral
Collateral	Nature Quality Liquidity Market value Exposure of the collateral to different risks Quality of the charge Legal status of rights Legal enforceability Time required to dispose of

More information on IHS Markit products and services

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