

Credit Risk Calculator

Why use Moody's Credit Risk Calculator to develop rating transition matrices and default rate reports?

Rating transition matrices and default rates are key inputs to credit risk models. Rating agency data is frequently used for generating these important references, but raw data requires time and effort to manipulate. **Moody's Credit Risk Calculator** is an easy to use, web-based tool designed to allow you to quickly calculate customized rating transition matrices and default rates suited to your specific risk management needs.

AVERAGE ONE-YEAR RATING TRANSITIONS: SAMPLE PERIOD: 1970-2004

RATING TO ►	Aaa	Aa	A	Baa	Ba	B	Caa-C	Default	WR
FROM ▼									
Aaa	89.48%	7.05%	0.75%	0.00%	0.03%	0.00%	0.00%	0.00%	2.69%
Aa	1.07%	88.41%	7.35%	0.25%	0.07%	0.01%	0.00%	0.00%	2.83%
A	0.05%	2.32%	88.97%	4.85%	0.46%	0.12%	0.01%	0.02%	3.19%
Baa	0.05%	0.23%	5.03%	84.50%	4.60%	0.74%	0.15%	0.16%	4.54%
Ba	0.01%	0.04%	0.46%	5.28%	78.88%	6.48%	0.50%	1.16%	7.19%
B	0.01%	0.03%	0.12%	0.40%	6.18%	77.45%	2.93%	6.03%	6.85%
Caa-C	0.00%	0.00%	0.00%	0.52%	1.57%	4.00%	62.68%	23.12%	8.11%

A rating transition matrix that is tailored to reflect your portfolio generates the most accurate assessments of credit risk when inputted into models. CRC enables you to modify a variety of parameters to ensure compatibility with your needs, including industry, country, and the time-frame of data.

What is Moody's Credit Risk Calculator?

Time-Saving Tool

Knowing that each of our clients has a variety of responsibilities, Moody's has designed a tool that will efficiently deliver needed information with just a few minutes of effort.

- » Report logic is already written, no need to write queries, make sense of table structures, or try to determine how best to handle the data to achieve the desired result
- » Web-based and accessible from a variety of locations
- » User-friendly tab interface allows related reports to be viewed without re-running the data
- » Save, edit, and share features prevent duplication of work
- » Export options can quickly move the data into Excel and CSV

Report Definition	Numerators	Denominators	Weighted Average Letter Rating Marginal Default Rates	Cumulative Default Rates	Weighted Average Cumulative Default Rates	Default Rate Size
Alpha Numeric						
Weighted Average Letter Rating Marginal Default Rates						
Ratings	Month 1	Month 2	Month 3	Month 4	Month 5	Month 7
Aaa	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Aa	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Baa	0.00%	0.00%	0.00%	0.35%	0.35%	0.35%
Ba	0.00%	0.00%	0.67%	2.61%	5.45%	10.0%
B	4.55%	4.10%	1.71%	0.00%	0.00%	0.00%
Caa-C	0.00%	0.00%	0.00%	0.71%	0.84%	0.87%
Investment-Grade	0.65%	0.68%	0.68%	0.11%	0.12%	0.17%
Speculative-Grade	0.10%	0.08%	0.08%	0.08%	0.07%	0.07%
All Corporates						
Weighted Average Letter Rating Cumulative Default Rates						
Ratings	Month 1	Month 2	Month 3	Month 4	Month 5	Month 7
Aaa	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Aa	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Baa	0.00%	0.00%	0.00%	0.35%	0.70%	1.05%
Ba	0.00%	0.00%	0.67%	1.34%	2.01%	2.71%
B	4.55%	4.10%	1.71%	0.00%	0.00%	0.00%
Caa-C	0.00%	0.00%	0.00%	0.71%	1.42%	2.13%
Investment-Grade	0.65%	1.30%	2.01%	2.12%	2.24%	2.41%
Speculative-Grade	0.10%	0.18%	0.26%	0.34%	0.41%	0.48%
All Corporates						

Window Into Moody's Extensive Database

A substantial dataset enables more granular analysis. Moody's comprehensive and accurate dataset allows you to create a variety of customized transition matrices and default rate reports and feel confident that they contain sufficient numbers of valid observations.

- » The same data used to conduct default studies and related research
- » Over 330,000 individual debt securities
- » Over 12,000 distinct companies comprised of more than 28,000 issuing entities
- » Both corporate and sovereign entities
- » Over 30 years of history starting from 1970

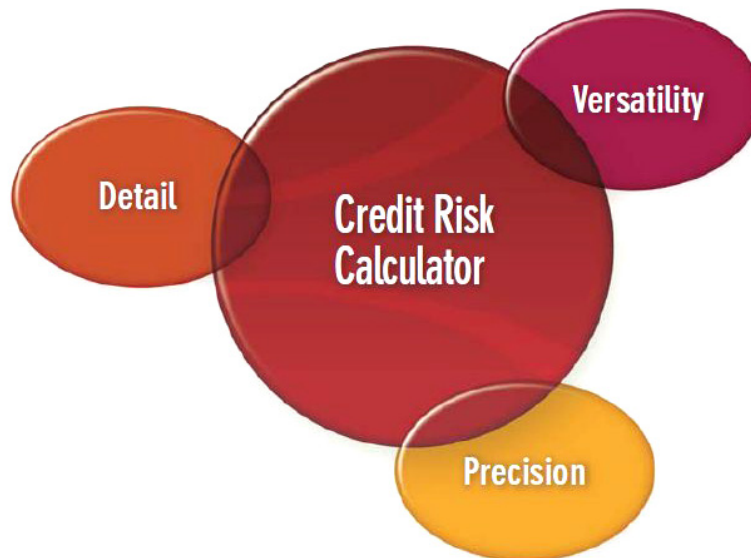
Expertise of Moody's Analysts

The professionals devoted to ensuring that Moody's ratings process stays in tune with the dynamic needs of the market are thought leaders who constantly work to pioneer methods for generating value for our customers. After working with Moody's data extensively, they have designed reports that will produce the most accurate rating migration matrices and default rates. This logic is the foundation of CRC.

Why is Moody's Credit Risk Calculator the best tool for developing customized rating transition matrices and default rate reports?

Knowing that our customers value the ability to tailor the rating transition matrices and default reports to their needs, Moody's offers an array of options.

- » **Variety of Possibilities:** Cuts by Region, Country, Industry, Time-Frame, Cohort-Spacing, Accumulation Periodicity, Letter and Alphanumeric Views.
- » **Default Rate Alternatives:** Counts, marginal default rates, cumulative default rates, weighted average cumulative default rates, and time series.
- » **Withdrawal-Adjusted Option:** Located in the rating migration report, facilitates calculation of multi-year bond default rates, comparison of exposures across sectors, and input of accurate data into pricing models. Non-withdrawal-adjusted option also available.



Understanding that our clients may want to verify the entities included in a report or use the reports to identify potential opportunities and areas of concern, Moody's has provided functionality that caters to these needs.

- » **Drill-Through Feature:** Click on numbers to see the issuers that make up that number and their corresponding rating history.
- » **Linkage to Moody' Research:** Select an issuer' name to be linked directly to Moody's research on that issuer.

Wanting to help each of our clients develop a competitive edge, Moody's provides both the most thorough views into our data and the ability to assess the accuracy of those views.

- » **Long-Horizon Cumulative Default Rate Averages:** Moody' maximizes the use of existing historical data by utilizing all the available rating and marginal default rate data, not just issuers with rating histories that endure for a specified period.
- » **Descriptive Statistics for Rating Migrations:** In addition to the average rating migration table, separate tables detailing the maximum, median, minimum, and standard deviation are all available and run with the initial report.

Can I see the Credit Risk Calculator at work?

We encourage you to observe the versatility and utility of the Credit Risk Calculator yourself. Please contact your Moody's representative to arrange a personal demonstration.

What other risk management products does Moody's offer?

The **Credit Risk Calculator** complements several other products:

Your Goal	Product
Monitor key default & recovery metrics.	Monthly Default Report
Conduct in-depth research on issuers and their industries	Leveraged Finance Service
Perform detailed ad-hoc research on Moody's expansive set of corporate and structured rating history and default data	Default Risk Service (DRS)
Utilize accurate historical recovery data on over 3,500 different instruments to develop predictive loss given default models.	Ultimate Recovery Database (URD)
Review adjusted financials and stress key financial ratios to predict rating changes or estimate ratings in unrated entities.	Financial Metrics
Leverage market-based factors to anticipate rating changes and defaults.	Market-Implied Ratings (MIR)
Collect, analyze and store borrower and facility data. Structure loans and create EAD, LGD and EL estimates which can be mapped to your own grading scale	Risk Analyst
Learn more about assessing the creditworthiness of high yield debt	Credit & Risk Training (High Yield Credit Analysis)
Forecast LGD for rated and unrated entities utilizing a highly quantitative horizon-independent model	Moody's LGD Model

About Moody's Analytics

Moody's Analytics helps capital markets and credit risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services, and research, including the proprietary analysis of Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges.

CONTACT US

Visit us at moodyanalytics.com or contact us at a location below:

AMERICAS

+1.212.553.1653
clientservices@moody.com

EMEA

+44.20.7772.5454
clientservices.emea@moody.com

ASIA (EXCLUDING JAPAN)

+85.2.3551.3077
clientservices.asia@moody.com

JAPAN

+81.3.5408.4100
clientservices.japan@moody.com

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