

News

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MOODY'S ANALYTICS ASSESSES "PEOPLE RISK" AT FINANCIAL INSTITUTIONS

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NEW YORK, 18 November 2014 – Moody's Analytics, a leader in risk management and measurement, today announced the results of its study, "[People Risk: Improving Decision Making in Commercial Lending](#)," which looks at the extent of "people risk" in the financial industry worldwide.

"By studying our extensive data set on training programs undertaken by bankers worldwide, we were able to make a broad assessment of the industry's credit proficiency to determine how well equipped credit professionals are to operate in an increasingly demanding risk environment," says Ari Lehavi, an Executive Director -- Training and Certification at Moody's Analytics. "We believe this assessment of 'people risk' provides useful insights into the quality of judgment and decision-making in the banking industry."

Moody's Analytics analyzed the scores on 55,000 diagnostic exams taken at the start of its Commercial Lending eLearning Course over the last five years. The results were used to create a new risk metric called MPAIR (Moody's Performance Assessment Indicates Risk), which measures the percentage of test takers scoring below the 70% passing threshold.

According to the report, Moody's Analytics found significant disparity across financial institutions, with scores ranging from 10% to as high as 88%. Moreover, this research reveals a link between a bank's MPAIR level and its relative default risk.

"The direct relationship between an institution's MPAIR score and its default risk relative to other financial institutions underscores the importance of proper training of bank staff to ensure that credit decisions are based on rigorous and competent analysis," adds Lehavi.

The average test score for the diagnostic exam was just above passing, with the scores in the Financial Risk category the weakest. Moreover, although scores for Financial Risk stand out as substantially weaker than those in other subject areas, there are wide variations in test scores for all areas of risk.

In general, Moody's Analytics found that institutions with large populations of employees with poor test scores tend to have riskier financial profiles than their peers.

For more information, visit www.moodysanalytics.com/peoplerisk.

About Moody's Analytics

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring risk through experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services and research, including the

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proprietary analysis of Moody's Investor Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of \$3.0 billion in 2013, employs approximately 8,500 people worldwide, and has a presence in 31 countries. More information is available at www.moodyanalytics.com.

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