

## Project and Infrastructure Finance Risk Assessment

The project finance and infrastructure industry has seen a number of key changes in recent times. While banks underwent a period of deleveraging and decreased exposures to project finance and infrastructure transactions, institutional investors raised their interest in this asset class. Currently, the market has a new equilibrium where banks and institutional investors often partner to devise viable financing solutions.

### The Challenge: Effectively Linking Risk Exposures To Capital

Adequately addressing the inherent complexities of project and infrastructure finance transactions is a major challenge – understanding the roles of various parties to the transaction as well as contractual, legal, and regulatory requirements, and other characteristics of these investments can be a hurdle for lenders and investors. To be effective, risk assessment approaches must reflect a true understanding of these issues and address a number of unique challenges to protect substantial investments.

### The Solution: A Credible Scoring Framework for Effective Risk Assessment

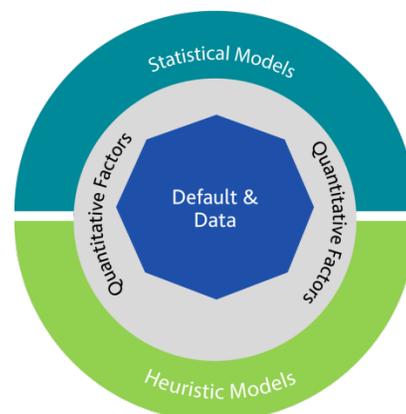
Moody's Analytics offers off-the-shelf and customizable scorecards and models for the assessment of project finance credit risk. Using a rigorous development process, our project finance scorecards integrate qualitative and quantitative risk factors to enable more effective risk management. Our approach assesses Probability of Default (PD) and Loss Given Default (LGD) across all sectors of project finance, including a LGD and PD scorecard for generic project finance transactions and a PD scorecard for Renewable Energy.

Our approach identifies and evaluates the most important risk factors that apply to most projects in varying degrees, related to the financing structure, nature and viability of the project itself, and the political, economic and related risks in the country in which the project will operate. Credit and investment professionals are enabled to focus on the key risk factors using a streamlined approach, capturing the substance of the deal and identifying the major drivers of performance to create a credible risk assessment.

### Proven Methodologies and Data

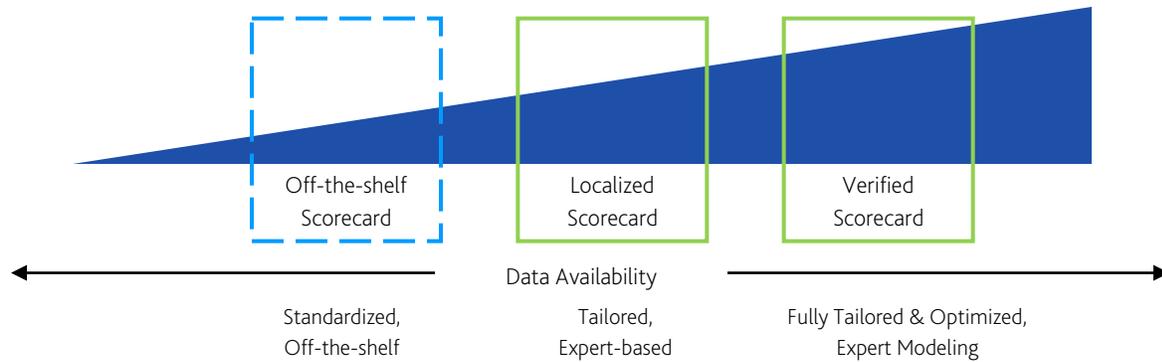
Our tools, models, and frameworks leverage over 30 years of detailed historical data on the performance of credit risks across public and private firms.

- » Based on the expert judgment of Moody's rating analysts, our techniques standardize the analysis of individual factors.
- » Scorecard output is mapped to Moody's Investors Service rating methodologies.
- » Solutions can be calibrated using Moody's Analytics Project Finance Consortium, projects representing over 50% of all project finance transactions worldwide.



## Development and Enhancement of Credit Risk Models

We understand client needs will vary depending on their specific requirements and offer both standard models and customized solutions. An off the shelf solution, although quick and easy to implement, may not meet the organization's existing internal credit assessment process or capture all risk drivers relevant to the organization's environment, portfolio and lending practices. A fully validated solution, although bespoke and statistically robust, requires historical data and very large datasets as a foundation for most advanced statistical modeling.



## Consultative Client Engagement and Expertise

Our scope of expertise allows to appropriately assess the risk associated with any given project, whether the transactions are in the primary or secondary market or at the earlier or later phases. Our approach blends close cooperation, continuous communication, and knowledge transfer to ensure any project, whether off-the-shelf or tailored, meets the requirements of our clients. Our practitioners work hand-in-hand with the project sponsor to identify and mitigate project risks, assess opportunities, and keep clients fully informed of progress.

Moody's Analytics is widely recognized for delivering high-quality analytics to the marketplace, developed both for standard use as well as on a custom basis. Our breadth of industry and client experience has given our practitioners a strong understanding of the challenges our clients face when building, benchmarking, and validating models that can withstand the scrutiny of regulators and internal and external stakeholders.

## About Moody's Analytics

Moody's Analytics, a unit of Moody's Corporation, 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 offering leading-edge software and advisory services, as well as the proprietary credit research produced by Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges.

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