

## UPDATED DEFAULT PROBABILITY SCORE CATEGORIES

**Effective: March 2016**

ProfitGuard has made changes to the score categories below to better reflect the probability of default and credit risk characteristics within the categories where many of companies are scored.

**Refresher:** PG's Default Score aims to predict the likelihood of a company defaulting within 12 months.

**Reason for Change:** The business environment constantly changes and some of the reasons businesses fail have evolved and are more complex than in the past. As a result we have added a score level to provide a more granular level of risk distinction between the ranges where a large percentage of companies score. The change improves your ability to manage credit risk associated with companies in these ranges. While companies with ratings occurring in both categories are vulnerable, the lower range, indicated as "Marginal", 31-40 typically represents slightly weaker risk characteristics than those scored "fair" 41-49 based on our risk analytics.

### Updated Scoring Table

Default Probability Score Defined	
Default Score	Probability of Default Within the Next 12 Months
90 To 100	Buyer represents exceptional credit risk characteristics -- Extremely Low Probability of Default
80 To 89	Buyer represents superior credit risk characteristics -- Low Probability of Default
70 To 79	Buyer represents excellent credit risk characteristics -- Low Probability of Default
50 To 69	Buyer represents good credit risk characteristics -- Medium to Low Probability of Default
41 To 49	Buyer represents <b>fair</b> credit risk characteristics - - Medium Probability of Default; overall position supports extension of credit. Risk Monitoring Advised.
31 To 40	Buyer represents <b>marginal</b> credit risk characteristics – Not an Immediate Risk but Could Accelerate Quickly. Risk Monitoring Advised.
20 To 30	Buyer represents weak credit risk characteristics -- Signs of Distress Present
10 To 19	Buyer represents poor credit risk characteristics -- Default Risk is High ; Going Concern is Strongly Questioned
1 To 9	Buyer represents extremely poor credit risk characteristics -- Default Highly Probable
BK	Buyer is currently operating under Bankruptcy Protection, Receivership, Restructuring, Liquidation, etc.
OR	Buyer is currently operating under some form of "Out of Court Restructuring"

Updated Categories

