

FICO® Score 8, based on Equifax Canada data

Raising the bar on an industry standard

Using FICO® Score 8 in place of a previous version enables you to improve risk management decisions across the credit lifecycle:

- Increase new account bookings at same/better risk
- Reduce delinquency and loss while booking same volume
- Assign more targeted customer management actions
- Improve customer satisfaction
- Reduce loss reserves
- Refine risk-based pricing

Developed using snapshots from July 2009 and July 2011. The first Canadian broad based score to consider mortgage data in the calculation of the score.

The latest release of the FICO® Score 8 for Canada provides improved risk evaluation where lenders need it most, and with minimal system changes. FICO® Scores are now better than ever – with up to double digit lift in predictive power for mortgage lenders and bankcards. FICO® Score 8 incorporates refined risk classifications to provide more accurate risk assessments for consumers with derogatory items in their credit histories. The score also includes adjustments to better address consumers with limited credit experience.

When the FICO® Score was introduced almost two decades ago, it fueled a revolution in the credit industry. Now FICO is raising the bar on an industry standard.

FICO® Score 8 offers powerful new features, including refined risk performance and separate treatment for Line of Credit accounts. These were made as “seamless” changes to the FICO® Score 8 design blueprint, while retaining the same reason codes and other factors that ensure lenders an easy transition to the new score.

Increased power – where you need it

To develop the latest FICO® Score, FICO analysts used state-of-the-art analytic capabilities and predictive technologies, along with extensive industry expertise. As a result, FICO® Score 8 boosts predictive strength by more than double the typical improvements seen in prior updates. The largest increases of 5%–12% occur among important consumer segments:

- New accounts – particularly mortgage and bankcard
- Line of Credit – consumers use LOC products differently and FICO® Score 8 assesses the risk associated with these products more effectively

In addition, FICO® Score 8 more appropriately addresses new-to-credit consumers – those with only a few accounts (thin files) and those with only a few years of credit history (young files).

FICO® Score 8 includes new features to sharpen lending decisions:

Refined risk performance classification

FICO scientists exhaustively researched alternative means to boost predictive power via alternative performance classifications (good vs. bad). The new score reflects a modified classification that considers the degree of “bad” behavior – for instance, a consumer record delinquent on two of eight trades is categorized differently from one that’s delinquent on eight of eight trades.

New treatment for Line of Credit accounts

In studying Canadian consumer credit consumption habits, we found that utilization distributes differently by LOC-specific and non-LOC accounts and therefore required different treatment for LOC accounts.

The utilization risk pattern is similar, but magnitude is different and LOC-specific utilization characteristics distribute differently, so the new treatment reflects these realities.

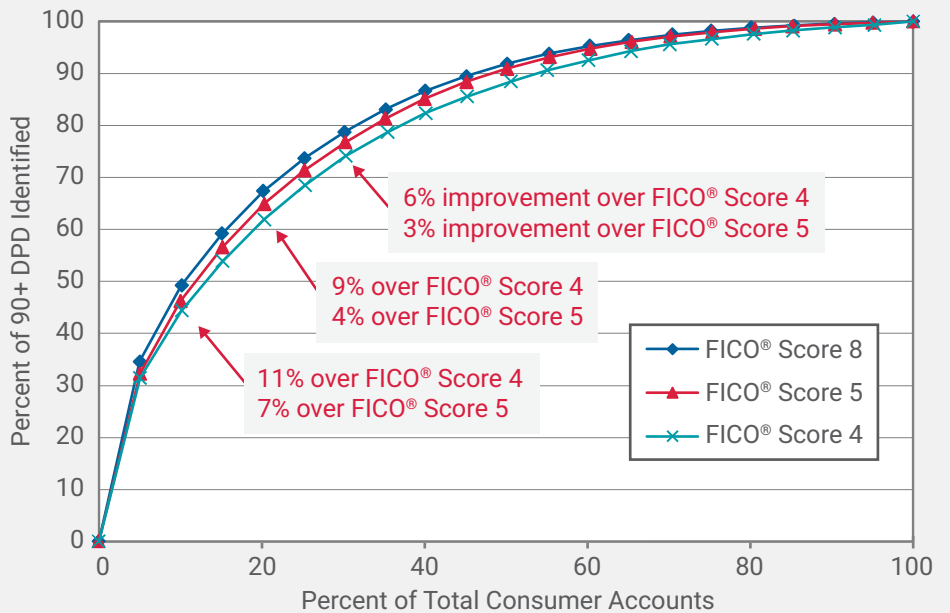
Separating Line of Credit from other revolving products enhances predictive power.

The gain – without the pain

Lenders can obtain the benefits of FICO® Score 8 with minimal system modifications. The new score offers the

Improved Originations

Equifax Canada FICO® Score 8 vs. 5 vs. 4
New Accounts, All Industries
% Improvement



stability and consistent odds-to-score relationships across the credit reporting agencies that lenders have come to count on with FICO® Scores.

FICO® Score 8 features the same “look and feel” as previous versions, including:

- The same 300–900 score range
- The same score reason codes¹
- The same minimum scoring requirements
- The same consistent score-to-risk alignment as prior versions
- You gain improved performance – without the expense and the resource demands of a long implementation period

Setting the risk industry standard

- US and Canadian businesses have used more than 100 billion FICO® Scores to make smarter decisions about customers and prospects
- More than 80% of the largest Canadian lenders use FICO® Scores
- 91 of the largest 100 US financial institutions use FICO® Scores

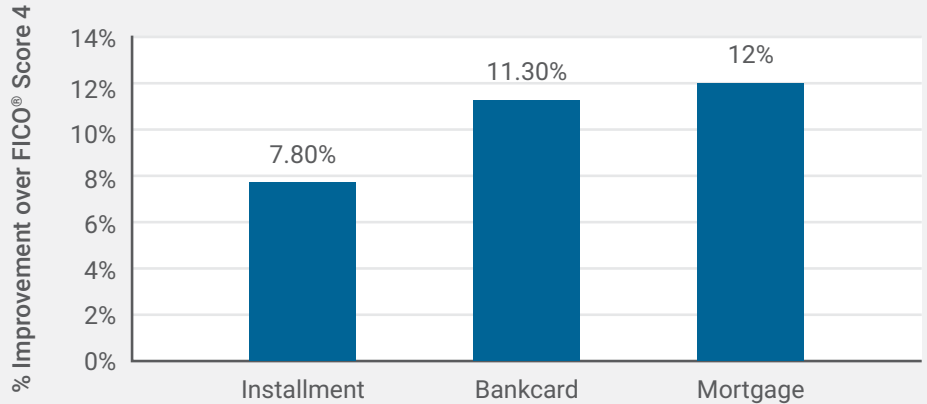
¹ With changes to line of credit treatment, six new additional reason codes were introduced.

Realize benefits across your portfolio

The new FICO® Score 8 will give you improved prediction across the customer lifecycle:

- **Marketing:** The quality of the applicants you attract can affect your bottom line for years to come. Using a refined risk tool to drive more targeted campaigns can result in significant cost savings and increased revenues.
- **Originations:** The decisions you make at originations — whether to approve the account, for which products and at what price — affect more than 80% of the measurable risk over the lifetime of an account. Improved risk assessment through FICO® Score 8, when used with other underwriting guidelines, can help you approve more loans without increasing risk.
- **Customer management:** Building a rewarding relationship is an ongoing project. Cross-selling. Credit line management. Early collection efforts. Loyalty programs. Authorizations. All these are areas in which FICO® Scores can help improve revenues, reduce delinquencies and build quality relationships.

FICO® Score 8 Industry Validation Results: Originations



Data provided by Equifax, Analysis conducted by FICO

Improving model performance

FICO® Score 8 reflects our 25+-year commitment to keeping pace with changes in lender reporting practices, new products and marketing approaches, and consumer behavior and economic conditions, as reflected in credit bureau information. Our analysts continuously work to identify key predictive elements that significantly enhance the FICO® Score.

For more information on

FICO® Score 8, contact FICO at

ScoreSupport@fico.com.