



Commercial Risk Scores and Indicators

Better business credit decisions start with better data

A small company in Calgary is planning to make major purchases of your products over the next six months. Should you accept its request for 60-day payment terms? A major customer in Montreal is expanding and wants to double its credit limit. What are the risks? A new start-up is looking for a small business bank loan. Should you approve?

Given the economic volatility of recent years, every credit decision directly impacts your profitability. Equifax can help your company make informed risk management decisions on small business banking and commercial trade matters.

Our Commercial Risk Scores and Indicators suite consists of the following insights:

- **Credit Index (CI)** provides a current snapshot of a company's overall credit worthiness.
- **Payment Index (PI)** measures the average days beyond terms it takes a business to pay its suppliers.
- **Commercial Delinquency Score (CDS2)** predicts the likelihood that a company will be severely delinquent in paying its non-financial trades over the next 12 months.
- **Financial Trade Delinquency Score (FTDS)** predicts the likelihood that a company will be severely delinquent in paying its small business banking trades over the next 12 months.
- **Business Failure Risk Score (BFRS2)** predicts the likelihood that a company will cease business in the next 12 months, resulting in losses for its creditors.

Enriched insights for commercial risk management services

The Equifax advantage begins with a database of approximately 2.4 million firms from all industries, with a heavy focus on small businesses. We collect information from a broad range of public and proprietary sources, including small business banking trades from financial institutions and industry Accounts Receivables data.

Our database of risk-related information is enriched with commercial firmographic information, such as industry codes, location, sales volume, number of employees, and ownership.

Key benefits

- ✓ Help make more confident credit decisions, even in higher risk situations.
- ✓ Accelerate credit decisions and minimize manual reviews with predictive delinquency scores.
- ✓ Protect against future charge-offs by predicting business failure risk at account origination.
- ✓ Establish a risk tolerance level for setting appropriate cut-off scores for business customers.
- ✓ Integrate with your existing systems for use in adjudication and account management processes.

Key Commercial Risk Indicators to help protect your company

Product	Problem it helps address	For executives who want to know	Provides	Often used in conjunction with
Credit Index (CI) <i>Category: empirical</i>	Lack of visibility into a business's overall risk profile	Does this business have a history indicating it will be a reliable customer or supplier?	A numerical assessment of the company's risk level using a variety of factors from public and proprietary sources	A predictive score assessing risk of delinquency or failure
Payment Index (PI) <i>Category: empirical</i>	Inability to gauge whether to extend credit, and if so, how much and on what terms	What are the payment habits of this company? Does the business pay its bills on time?	A measure of the payment habits of a company. Index shows the average days beyond terms it takes the company to pay its suppliers	CDS2, which reveals signs of derogatory information, such as collections, returned checks or bankruptcies
Commercial Delinquency Score (CDS2) <i>Category: predictive</i>	Risk of making significant commitments to a company that later becomes severely delinquent in paying its bills	Over the next 12 months, is this business likely to owe creditors on bills 90 days or more past due?	Predictive score of delinquency risk based on commercial demographics, public negative information, and credit and payment information	CI or PI, to gain insights from public and proprietary sources
Financial Trade Delinquency Score (FTDS) <i>Category: predictive</i>	Reducing the risk of approving small business banking trades that would eventually lead to charge-offs and their associated costs	Over the next 12 months, is this business likely to be severely delinquent to a financial institution for a small business banking trade?	Predictive score of small business banking trade delinquency risk based on firmographics, public negative information, financial and industry trade information	CDS2 and BFRS2 to assess overall risk level and credit worthiness
Business Failure Risk Score (BFRS2) <i>Category: predictive</i>	Uncertainty in extending credit to a prospect or continuing to grant credit to slow-pay customers that could default on their obligations	Over the next 12 months, is this business likely to fail due to voluntary or involuntary bankruptcy?	Predictive score of bankruptcy risk based on commercial demographics, public negative information, and credit and payment information	CDS2, to determine if a high CDS2 risk score is due to failure risk or choosing to pay late

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