



EQUIFAX®

AbsolutePD (Probability of Default)

Identify small business delinquency and default risk using data-backed probability models

Portfolio monitoring and management are often time-intensive and resource-consuming activities that are neither efficient nor always accurate. In uncertain economic times, portfolio management presents unique challenges. Relying on reactive and cumbersome processes leaves lenders vulnerable to unforeseen losses and misses opportunities for growth. It's difficult to gain a complete view of your credit portfolio when you can only look backward.

Predict business default with greater accuracy

The solution is to turn these reactive processes into proactive strategies using predictive modeling for greater efficiency. By using objective and consistent risk scoring models, you can gain a complete view of your credit portfolio and detect small business delinquency and default risk early. Being able to clearly see trouble ahead enables you to make smarter, data-driven choices about overall portfolio risk, various business segments, and the risk of existing customers, allowing you to make quicker and more informed decisions. This is precisely the power delivered by Absolute Probability of Default.

Key benefits

Monitor commercial portfolio

Develop a well-defined portfolio strategy aligned with the overall company vision and objectives.

Identify changes in portfolio

Establish a process to identify potential risks and opportunities through changes in a businesses credit status.

Maintain regulatory compliance

Ensure you're following applicable government regulations and maintaining risk thresholds within existing portfolios.

“Despite their essential economic role, small businesses are notoriously risky. With a first year failure rate of 20% we need to constantly evaluate the risk profile of our small business portfolios.”

Bank Director of a Large FI

Absolute Probability of Default: full visibility and predictive power

Absolute Probability of Default (AbsolutePD®) gives you full visibility with an online platform for multidimensional risk analysis. It is a data-backed probability model designed to identify small business delinquency and default risk. AbsolutePD delivers transparent, long-term risk insights to strengthen portfolio decisions, offering Probability of Default (PD) forecasts that look up to seven years into the future. This enables you to proactively manage risk and confidently navigate uncertain economic conditions.

Benefits include:

- **Improve loss forecasting** and proactively reduce losses
- **Maintain risk compliance** and meet standards, like CECL/IFRS 9
- **Decrease time and costs** — one customer saved \$1,258,000 in loan review costs
- **Identify new business segments** through targeted analysis and deeper insights
- **Generate revenue** through cross-sell optimization by identifying high-potential borrowers

The core components of AbsolutePD

The AbsolutePD model is built to ensure better stability, relevance, and long-term accuracy, providing a new standard for risk management.

Component	AbsolutePD feature detail
Unparalleled data assets	Captures real-time and forward-looking economic data to adjust borrower ratings and reflect changing market conditions. Leverages the comprehensive commercial credit database from Equifax.
Cutting edge analytics	The model is built on survival analysis, using economic intuition and empirical data to estimate risk with precision and transparency, avoiding the risk of overfitting.
Extensive validation and coverage	The model is trained and validated on 5+ years of historical data. It offers objective insights for private companies, empowering you to assess risk even for those without available financial statements.
Portfolio management	Provides the capability to identify overall portfolio risk, risk within various segments, and the risk of existing customers. Allows for streamlined portfolio integration and accelerated loan review cycles.

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