

## Rating DynamIIC – Glossary and Methodology

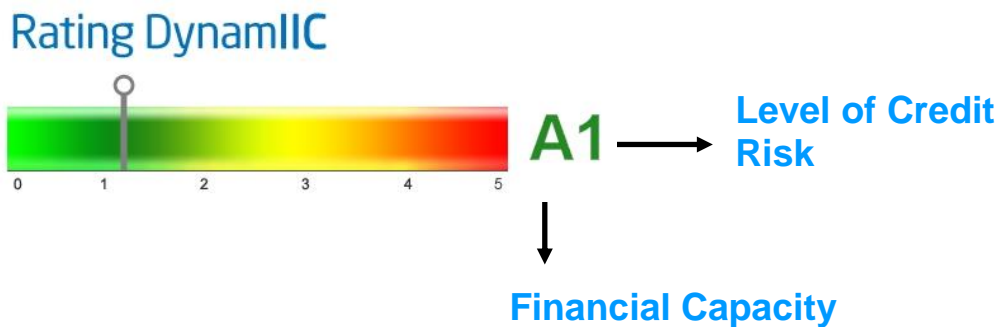
The **Rating DynamIIC** is an evaluation system of business entities that measures the probability of default in terms of credit risk in the short term.

It's a dynamic model fully developed by **Infotrust**, based on the best-known statistical methodologies and in the intrinsic characteristics of the Portuguese business market, which analyzes and lists a set of determinants in the evaluation of the performance in terms of credit risk.

The **Rating DynamIIC** consists on the following indicators:

- Financial Capacity
- Level of Credit Risk
- Credit Limit

The **Rating DynamIIC** consists in the conjugation of a letter and a number, as describe in the following example:



### Financial Capacity

It's a measurement that represents the existence of financial resources and the impact of them in terms of credit risk management. This indicator is calculated based on the shareholder's funds, when we have access to the Financial Statements, or in his absence, the social capital.

Possible Indicators of Financial Capacity:

Indicator of Fin. Capacity	Shareholder's Funds or Capital
A	Above 62.349.737,00 €
B	Above 37.409.842,00 €
C	Above 14.963.937,00 €
D	Above 8.728.963,00 €
E	Above 1.246.995,00 €
F	Above 623.497,00 €
G	Above 374.098,00 €
H	Above 199.519,00 €
I	Above 99.760,00 €
J	Above 62.350,00 €
L	Above 37.410,00 €
M	Above 24.940,00 €
P	Above 7.482,00 €

### Level of Credit Risk

This indicator reflects the probability of default on commercial transactions in credit basis. It provides an overall assessment of the business of a company based on information available regarding the most significant credit elements,

such as: history, antiquity, financial information, commercial incidents and insolvencies/bankruptcies, size, sector of activity.

The level of Credit Risk may vary according to the following table:

Level Risk Indicator	Level of Credit Risk Description	Credit Recommendation
1 - 1,49	Very Low Credit Risk	Inspires Confidence for Credit
1,5 - 1,99	Very Low Credit Risk	Inspires Confidence for Credit
2 - 2,49	Reduced Credit Risk	Credit Worthy
2,5 - 2,99	Low Credit Risk	Credit Worthy
3 - 3,49	Acceptable Credit Risk	Close Following
3,5 - 3,99	Moderate Credit Risk	Some caution
4 - 4,49	High Credit Risk	All Caution
>4,5	Extreme Credit Risk	Obtain Guarantees

### Rating DynamIIC – Exceptions:

Level Risk Indicator	Description	Level of Credit Risk Description	Credit Recommendation
X	Without Activity	Extreme Credit Risk	Credit Not Recommended
NV	Recent business	Moderate Credit Risk	All Caution
NN	Negative Recent Business	High Credit Risk	Obtain Guarantees
N	Negative Shareholder's Funds	High Credit Risk	All Caution
O	Not Determined	Not Determined	Not Determined

### Credit Limit

This indicator recommends a monthly limit of involvement in terms of credit concession and is allocated according to the results of the evaluation of the credit risk level and financial capacity of one business entity, based on a weight related to the shareholder's funds or, in its absence, to the social capital.

The credit limit recommended only provides a monthly benchmark of credit to be granted to an entity and shall not serve as a maximum credit limit. The credit limit recommended should be adjusted to the reality and specifications of each business, as well as the lending policies and culture of the entities involved.

### Methodology

O **Rating DynamIIC** is based on multiple discriminant analysis model which, complemented with the latest statistical techniques and expertises, evaluates the interrelationship among a set of determinants in predicting default situations. Each of these factors, also called variables, was assigned a weight according to its importance in terms of credit risk.

In the development process of **Infotrust's** model, were identified the following discriminant variables: seniority, size, financial data, payment experiences, commercial incidents and line of business.

From the **Rating DynamIIC** results a score for each company that corresponds to the probability of default in terms of credit risk.

### Base of Incidence

All business entities in the **Infotrust**'s database are likely to be risk assessment, except entities such as banks, financial institutions, insurance companies and entities that doesn't meet the minimum informaton necessary for the proper calculation of the Rating.

### Update

The **Rating DynamIIC** is automatically and dynamically updated whenever there is a request for a product with this indicator and by an **Infotrust** analyst every time there is an investigation request. Simultaneously, the model is updated periodically to allow monitoring the results and for building an historical registration.

The **Rating DynamIIC** is a project under continuous development, with constant monitoring by **Infotrust**'s analysts trough analysing and comparing the results of the automatic rating and its own assessments, enhancing the correction of possible inconsistencies and the introduction of new improvements.

To know more about this service, please contact us to:

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