

STAND-ALONE CREDIT RISK MEASURES

MOODY'S KMV RISKCALC 3.1

PORTUGAL

Moody's KMV RiskCalc® estimates a forward-looking default probability for privately held firms by combining financial statements with equity market information.

MARKET CHALLENGE: ASSESSING PRIVATE FIRM CREDIT RISK

Institutions today are faced with an ever-increasing demand to quantify private firm credit risk to better manage risks and avoid losses. This demand comes not only from regulators and shareholders, but also from internal risk managers seeking to maximize their institutions' return on risk.

MOODY'S KMV RISKCALC 3.1: FUNDAMENTALLY CHANGING THE MIDDLE-MARKET CREDIT PROCESS

Moody's KMV RiskCalc 3.1 enables users to accurately characterize the credit risk of thousands of private companies in minutes for faster loan underwriting decisions and efficient monitoring of portfolio credit trends. Armed with this solution, credit risk professionals can focus their resources on loans with the greatest risk. In addition, accurate default probabilities provide a common metric for communicating with regulators and internal staff.

THE MARKET STANDARD: MOODY'S KMV EDF CREDIT MEASURES

Moody's KMV EDF™ (Expected Default Frequency) credit measures are actual probabilities of default; they lend themselves to precise decision-making and can be incorporated into valuation and portfolio models. Built from over 15 years of experience with market and fundamental data modeling, EDF credit measures have been extensively validated on defaults and have become the market standard for lenders and investors.

POWERING MOODY'S KMV RISKCALC 3.1: THE WORLD'S LARGEST AND CLEANEST PRIVATE COMPANY DEFAULT DATABASE

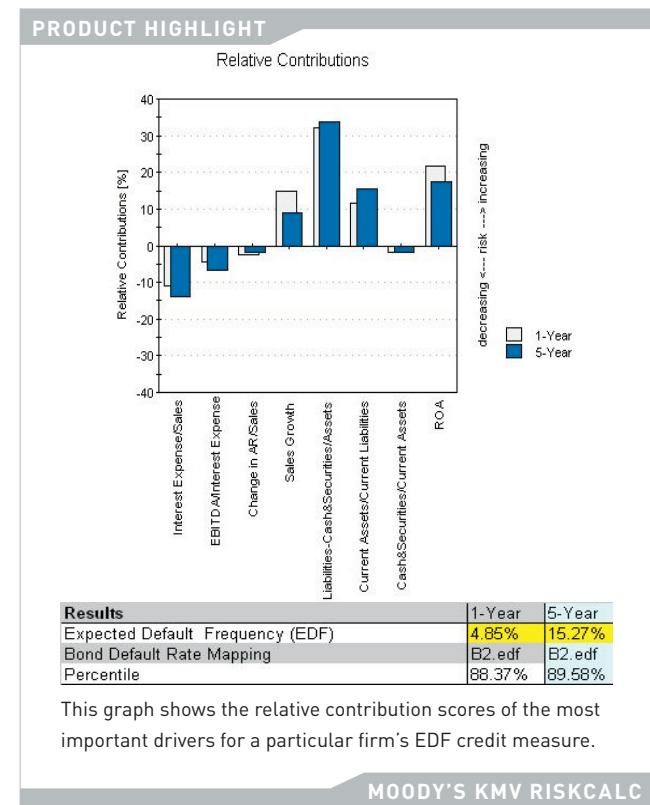
Moody's KMV RiskCalc 3.1 utilizes the Moody's KMV CRD® (Credit Research Database), the world's largest and cleanest collection of data on private companies. Built in partnership with over 45 financial institutions around the world, the CRD contains 20 million financial statements on 4 million firms and more than 250,000 private company defaults.

MOODY'S KMV RISKCALC NETWORK

Private company credit risk drivers differ between countries. Moody's KMV RiskCalc combines private firm data with local knowledge of default drivers in different countries to build a global network of models that covers approximately 80% of the world's GDP.

REGION SPECIFIC MODELS:

- Austria
- Australia
- Belgium
- Canada
- Denmark
- Finland
- France
- Germany
- Italy
- Japan
- Korea
- Mexico
- Netherlands
- Norway
- North America Large Firm
- Portugal
- Singapore
- South Africa
- Spain
- Sweden
- Switzerland
- UK
- USA
- U.S Banks
- U.S Insurance



KEY PRODUCT FEATURES

- A network of region-specific models developed and tested on local private firm data to capture local default risk factors
- Calculates highly predictive EDF estimates over any horizon between one and five years for private firms
- Displays valuable ratio diagnostics and their individual contributions to risk
- Captures the impact of changes in the credit cycle on EDF credit measures
- Updates credit cycle adjustment information on a monthly basis
- Built on an unparalleled range of private company data
- Maps EDF credit measures to internal and agency ratings
- Illustrates the sensitivity of a company's EDF to changes in various inputs
- Supports stress testing through economic cycles
- Adjusts for unique industry differences
- Supports XML integration with client applications
- Allows batch processing for the efficient rating of an entire portfolio

MOODY'S KMV RISKCALC

MOODY'S KMV RISKCALC PORTUGAL 3.1

The model characterizes the credit risk of private companies by incorporating financial statement data and equity market-based information to produce EDF credit measures that reflect factors unique to the business environment of Portugal. This blending of information results in superior predictive power that enables the user to limit defaults and enhance profitability.

FUNDAMENTAL DATA FROM FINANCIAL STATEMENTS

Moody's KMV RiskCalc Portugal 3.1 utilizes financial ratio variables based on their ability to predict corporate defaults through actual market-based relationships. The model transforms these variables to accurately predict default probabilities.

ACTIVITY

- Interest Expense to Net Sales

LEVERAGE

- Liabilities – Cash & Securities to Assets

GROWTH

- Change in Account Receivables Turnover
- Sales Growth

PROFITABILITY

- Return on Assets

LIQUIDITY

- Current Ratio
- Cash & Securities to Current Assets

DEBT COVERAGE

- EBITDA to Interest Expense

SPECIFIC CALIBRATION TO THE PORTUGUESE MARKET

Moody's KMV RiskCalc Portugal 3.1 reflects the business environment of Portugal, including accounting practices, tax and bankruptcy laws. The EDF credit measures produced are globally comparable yet reflect these local factors.

EXTENSIVE PORTUGUESE DATASET

Moody's KMV RiskCalc Portugal 3.1 was developed and validated using over 154,000 financial statements from over 42,000 private Portuguese companies, excluding financial institutions, state-owned companies, non-profits and real estate developers. In addition to industry-specific information for sector analysis, the dataset includes financial statement and default data from 1993 to 2007, on firms ranging in size from €250,000 in Net Sales up to the largest private Portuguese companies.

CREDIT CYCLE ADJUSTMENT BY INDUSTRY

Moody's KMV RiskCalc Portugal 3.1 EDF credit measures are adjusted for the current stage of the credit cycle, allowing the user to determine the susceptibility of a firm to an economic downturn.



For details on other RiskCalc models, please visit
Moody's KMV product page:

www.moodyskmv.com/products

To Learn More:

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