

Belgian scorecard guide

Overview

Each year, hundreds of millions of business decisions are based on data insights from Creditsafe.

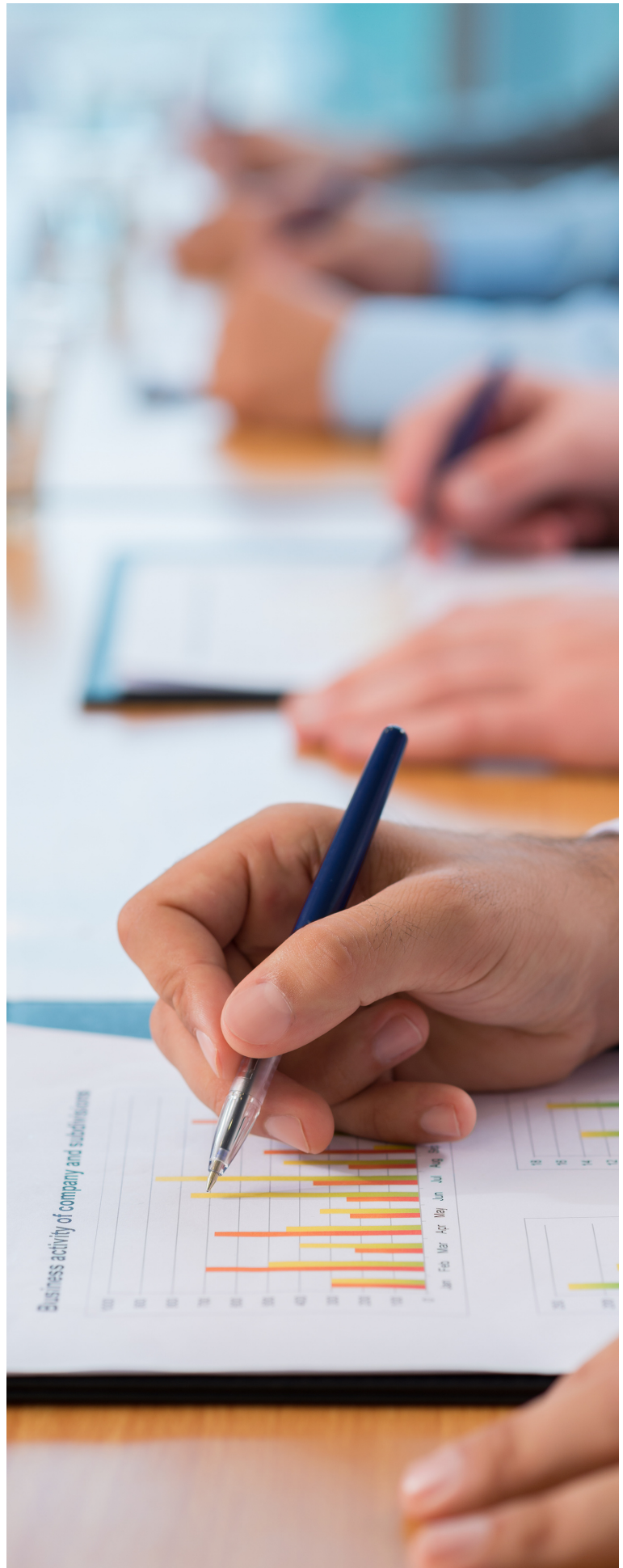
Our credit scores and limits are used by companies of all sizes within multiple industries to make fast and informed decisions, automate workflows and guide strategic direction.

We are proud to be the world's most used provider of commercial credit reports and make it our highest priority to deliver accurate data and highly predictive scores to our customers across the globe.

As a result, we have invested millions of Euro's in enhancing the scorecards across the Creditsafe group, including the Belgian scorecard.

We are extremely pleased to share with you the outcome of the Belgian scorecard enhancement, which predicts more accurately business failures than before.

In addition to the renewed score, we are also providing a 'Probability of Default' (= PD or PoD) for each company. This calculation, expressed as a percentage, allows us to indicate the anticipated likelihood of company failure within the next 12 months.



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What is a scorecard?

Creditsafe scorecards are a series of highly predictive algorithms created by our world-leading in-house Analytics Team. Using advanced statistical techniques, the team evaluate over 5 million rows of validated data from over 8.000 trusted sources globally.

Each economic region within our group has its own bespoke scorecard built to accurately reflect the local characteristics and trends of the region. Of the hundreds of variables evaluated, only those which are statistically indicative of failure or stability are compiled together to create the scorecard.

The scorecard is then applied to the current business population of that country and continually assesses each company as any changes occur in their circumstance.

A 'Probability of Default' (= PD or Pod) for each business is determined by the scorecard, which, in turn, assigns the corresponding score between 1 and 100, or A-D for its international rating.

The Creditsafe score bandings

Score Band	Min Score	Max Score	Credit Risk Description
A	71	100	Very low risk
B	51	70	Low risk
C	30	50	Moderate risk
D	1	29	High risk



Segmentation of the Belgian business population

Companies come in many different shapes and sizes, from your local independent coffee shop to a supermarket giant. Understandably, these businesses will present a different set of characteristics when they are heading into difficulty and have a strong likelihood of failure.

The segmentation aims to define a set of sub-populations that, when modelled individually and combined, rank risk more effectively than a single model on the overall population in each country. The main base for segmentation of the Belgian Business population is the size and legal classification of the company:



Companies with financial accounts

- Micro companies
- Small companies
- Medium companies
- Large companies

Companies without financial accounts

- New Business & Starters - companies who have not yet filed their accounts
- Other companies
- Sole traders

Why update the scorecard?

Early indicators of risk or opportunity are a critical asset to the longevity and growth of any business. Yet, many early indicators vary over time; with constant changes to economic, social and political climates, some of the indicators that are predictive of failure today are likely to change.

Creditsafe continually enhance the scorecards to reflect current risk factors that have emerged within local economies. Assessing the entire business population, we have refined the indicators that commonly hold for commercial stability, and what is predictive of a company heading into difficulty.

Our new, more robust scorecard strengthens our ability to continually assess the predictability of variables and adapt the model in line with economic changes.



How the Belgian business landscape is changing

The last few years, we have seen significant shifts in the Belgian economy.

Among the factors that have produced change and challenges for business have been global trends, the rise of developing economies, the increased trade friction between one of the globe's two largest economies: America and China, the challenging position of the Eurozone, the economic uncertainty engendered by the Brexit and, obviously, the ongoing effects from the pandemic of the COVID-19 Virus.

A brief overview, according to the Federal Planning Bureau: Economic Budget - Economic Outlook 2021-2022 as of September 2021:

The Belgian economy is expected to recover by 5.7% in 2021.

Economic activity should therefore reach its pre-Corona level in the fourth quarter of this year. Almost all spending components contribute to this, but the most striking is the catching-up effect of investments. In 2022, GDP growth is expected to reach 3%, supported by the dynamism of exports and, in particular, private consumption. Domestic employment would increase by 73 000 persons over both years combined.

Inflation is also expected to rise again, after a sharp hiccup in 2020. In Belgium, inflation would rise from 0.4% last year to 1.8% in 2021 (1.4% in the euro area). That level would remain stable next year (1.3% in the euro area).

Favorable, but challenging, outlook for the European economy

Like the rest of the world economy, the Eurozone was hit hard by the Corona-pandemic in the first half of 2020. The economy is gradually recovering, but new waves of infection can still interfere. Stabilisation and further growth also depend on new measures that organisations and governments can impose.



What is noticeable, however, is that the economy is picking up thanks to the rising vaccination rate. Growth should remain robust in the second half of 2021 and into 2022 on the back of increased private consumption and foreign trade. Corporate investment is responding positively.

It is liberating to be able to do business again.

That is why it is important to check how well the vaccination coverage is going in certain countries. We see a correlation between an economy in difficulties and a country with a low vaccination rate. Vaccination coverage and the continued effectiveness of vaccines are crucial for the further normalisation of economic activity. With a wider rollout of vaccinations from the second quarter onwards, consumers would spend some of their saved money and boost the economy. With global trade picking up, imports and exports would also recover quickly.

This international scenario is accompanied by several uncertainties. The strength of the economic recovery also depends on the extent to which households use their savings accumulated during the crisis and businesses are able to cope with possible bottlenecks, such as disrupted supplies.

Important note on this alignment: the predictions are subject to change. Everything depends on the epidemiological evolution, the impact of new coronal mutations and the course of vaccination campaigns.



The way we do business in Belgium and the world has changed and continues to change. Our new scorecard and the associated 'PoD' reflects that. Through the scorecard, businesses will now have the information at their fingertips to make decisions in an instant.

Multiple things can affect the credit risk of a business. Some of them are impossible for a business to control – such as instability and change in the global and Belgian economy.

Other factors that can shape a credit risk include the movement of directors in a business, the debt levels that small businesses have, and even the 'Statistical classification of economic activities in the European Community' (=NACE-Codes) of businesses.

NACE codes are used to classify the business activities of the company. Companies in Belgium and other government bodies use the codes to identify what a company does and to sort them into their correct business categories – and a company's credit score with the associated PoD can be affected by this.

Business owners will know their VAT number, their invoice payment dates and company registration number; however, most business owners will not know their NACE code. As business intelligence experts, we get asked all the time, “What can I do to improve my score?”. There is no clear answer as we take a multitude of factors into account. A key concern for many small business owners is ensuring that they are complying with all relevant rules and regulations.

Creditsafe is continuously working on using relevant data from different processes and ensures that we are utilising the most up to date and relevant information available for the Belgian market. By this, the way companies are scored is improved, making better and more predictive assessments about a growing number of companies, even in cases where less information is available.

With our new scorecard, we have been able to score companies more accurately. For example, many of those companies, which previously had a lower score due to limited information, will now be granted a credit limit for the first time thanks to the strength of our new model and greater data availability.



The power of the renewed scorecard of Creditsafe Belgium

We understand the impact that confidence can have on the growth of a business. Whether it be the confidence to seize new opportunities or to turn those down that could in the long run harm your business. Rarely are decisions so black and white.

Our mission is to clarify business credit decisions by giving you the knowledge and foresight to make confident and effective decisions, by ways of a more accurate predictive risk indicator and the associated PoD.

Thanks to our industry-leading Analytics Team, the Creditsafe Belgium scorecard is one of the highest predictive and consistent credit scorecards. With the inclusion of new data sets, the inclusion of the PoD and further scrutiny of relationships between variables, the new scorecard can more intelligently assess the stability of a business, even when information is limited. Consequently, fewer companies will fall into the high risk banding, but without affecting the scorecard's overall predictability.

For non-limited companies and very small businesses, the new scorecard better assesses their circumstance to grant them a more realistic score and credit limit. Overall, we have achieved a more representative assessment of risk across the entire population. With this, we have reserved the lowest risk bandings for companies with a lower PoD than before.

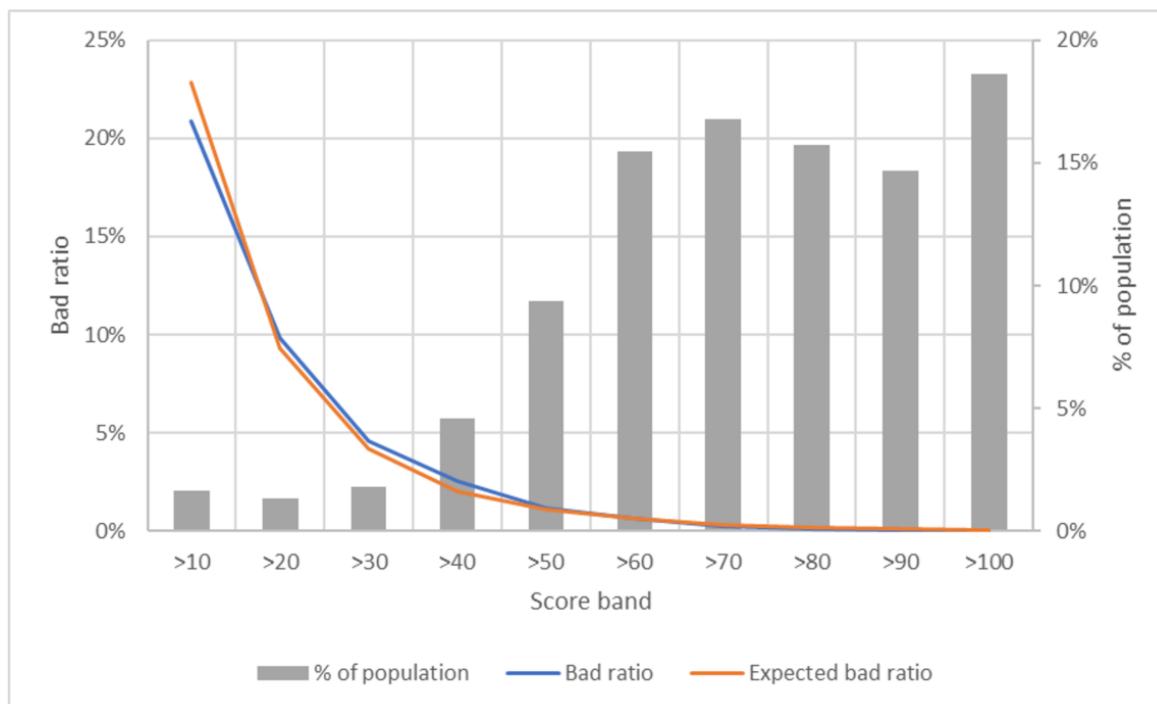
Our goal has always been helping companies changing the way they do business.

The updated scorecard reflects that, as there is more room for commercial opportunities on the one hand and an even more accurate prediction in credit risks, its associated PoD and business failures on the other hand.

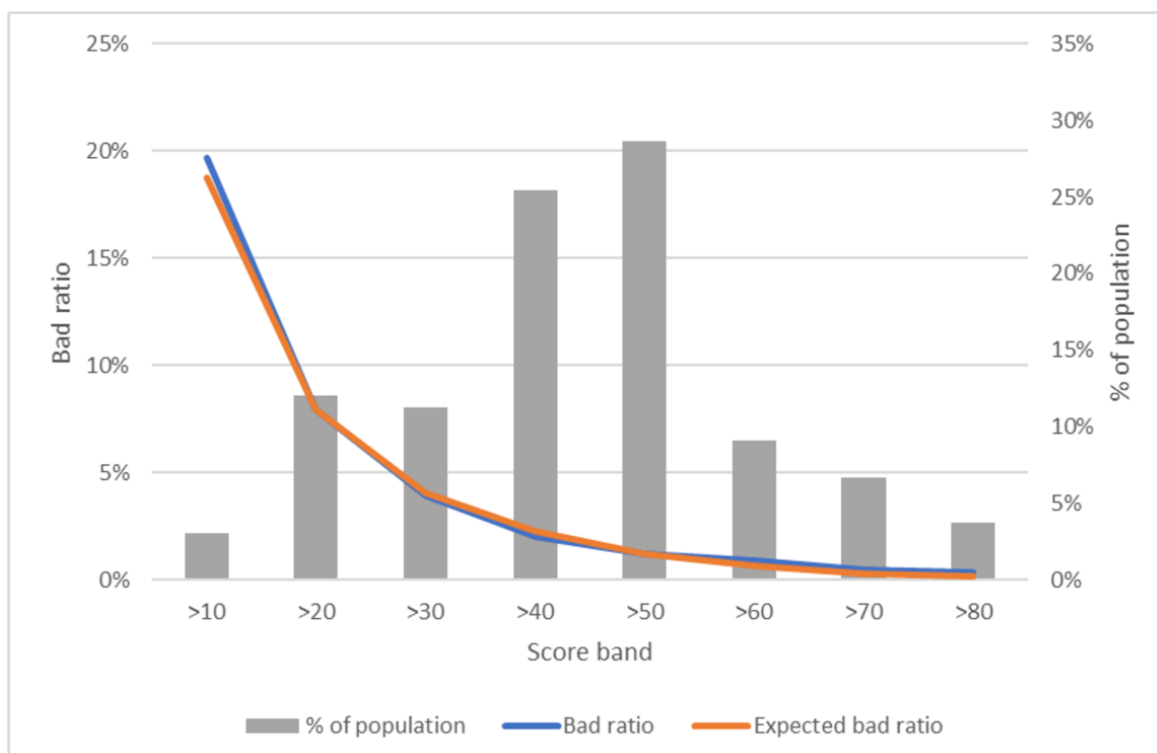
Either way, the new scorecard enables your business to have an even better understanding about the risks you take.



Score Distribution - Population distribution for companies with filed accounts



Score Distribution - Population distribution for sole traders



What is the definition of Failure?

The Creditsafe score predicts the likelihood of a business failing over a 12-month period. The performance definition defined for the Belgian scorecard development as below. The performance definition is designed to clearly identify why a business is considered to be high or low risk.

BAD - High Risk

- Initiation of bankruptcy proceedings with excusability
- Initiation of bankruptcy proceedings with inexcusability
- Initiation of bankruptcy proceedings
- Completion of bankruptcy proceedings with excusability
- Completion of bankruptcy proceedings with inexcusability
- Completion of bankruptcy proceedings
- Stay of proceedings (judicial reorganisation)
- Judicial winding-up or nullity

GOOD - Low Risk

- None of the above status definitions



The Probability of Default behind each score

What is the Probability of Default?

The Probability of Default (PD or PoD) is a mathematical calculation that shows how likely it is that a company will fail or become insolvent within 12 months of the date of application for a particular credit.

The PoD is a simple representative way for companies to accept, modify or even reject credit applications. This probability can be applied to a wide range of scenarios for risk management and credit analysis. The PoD depends not only on the characteristics of the debtor, but also on its economic environment.

We calculate the PoD for each company individually based on their combination of characteristics. To make the PoD easy to read at a glance, we convert it into a simple score, which runs from 1 (highest risk) to 100 (lowest risk).

It is important to note that the score itself is not a percentile score where the company database population is forced into certain positions to achieve a desired distribution. The score will still be created from the PoD, yet there will be a range of PoD's relating to each score. The development of the new scorecard has resulted in the production of a new PoD table, which you can see on p.15.

Below are condensed tables showing the PoD range for each risk band from A to D.

Population matrix for companies with filed accounts

Score band	Min PD	Max PD	Min Score	Max score	Bad ratio	% of the population
A	0,01%	0,24%	71	100	0,05%	49%
B	0,24%	0,83%	51	70	0,44%	32%
C	0,83%	3,02%	30	50	1,67%	14%
D	3,02%	99,99%	1	29	12,07%	5%

Population matrix for sole traders

Score band	Min PD	Max PD	Min Score	Max score	Bad ratio	% of the population
A	0,01%	0,24%	71	100	0,06%	4%
B	0,24%	0,83%	51	70	0,69%	16%
C	0,83%	3,02%	30	50	1,62%	55%
D	3,02%	99,99%	1	29	7,77%	25%



Why is the PoD important?

The PoD will ultimately tell you exactly how stable any company is and more importantly, what the associated risk of trading with it is.

The Creditsafe scorecard provides a score between 1 and 100 for the highest and the respectively lowest risk. This scale is produced based on the outcome of the PoD, expressed as a percentage. The higher the Creditsafe credit score, the lower the PoD percentage and vice versa.

The development of the new model and the new PoD table means that it would be wrong to compare scores on a like-for-like basis. The underlying statistics have changed, the scoring model has changed and as a result, the meaning of the scores from 1 to 100 has changed. This may result in a company receiving a lower score than previous on the 1-100 scale but the associated risk of this company defaulting or failing will be lower.

Therefore, a company's score can drop from 70 to 60 but for its credit limit to increase at the same time because the associated risks with the company are lower.

It is important to note that this does not mean that all company scores will drop, as some companies will be scored higher than previously.

However where score drops are noticed, the changes in PoD's need to be referenced.



A new Probability of Default (= PD or PoD) table

Score	Min PD	Max PD	Band	Score	min PD	Max PD	Band
100	> 0,00%	<= 0,00%	A	50	> 0,83%	<= 0,88%	C
99	> 0,00%	<= 0,04%	A	49	> 0,88%	<= 0,94%	C
98	> 0,04%	<= 0,04%	A	48	> 0,94%	<= 1,00%	C
97	> 0,04%	<= 0,05%	A	47	> 1,00%	<= 1,07%	C
96	> 0,05%	<= 0,05%	A	46	> 1,07%	<= 1,13%	C
95	> 0,05%	<= 0,05%	A	45	> 1,13%	<= 1,21%	C
94	> 0,05%	<= 0,06%	A	44	> 1,21%	<= 1,28%	C
93	> 0,06%	<= 0,06%	A	43	> 1,28%	<= 1,36%	C
92	> 0,06%	<= 0,06%	A	42	> 1,36%	<= 1,45%	C
91	> 0,06%	<= 0,07%	A	41	> 1,45%	<= 1,54%	C
90	> 0,07%	<= 0,07%	A	40	> 1,54%	<= 1,64%	C
89	> 0,07%	<= 0,08%	A	39	> 1,64%	<= 1,74%	C
88	> 0,08%	<= 0,08%	A	38	> 1,74%	<= 1,85%	C
87	> 0,08%	<= 0,09%	A	37	> 1,85%	<= 1,97%	C
86	> 0,09%	<= 0,09%	A	36	> 1,97%	<= 2,10%	C
85	> 0,09%	<= 0,10%	A	35	> 2,10%	<= 2,23%	C
84	> 0,10%	<= 0,11%	A	34	> 2,23%	<= 2,37%	C
83	> 0,11%	<= 0,11%	A	33	> 2,37%	<= 2,52%	C
82	> 0,11%	<= 0,12%	A	32	> 2,52%	<= 2,67%	C
81	> 0,12%	<= 0,13%	A	31	> 2,67%	<= 2,84%	C
80	> 0,13%	<= 0,14%	A	30	> 2,84%	<= 3,02%	C
79	> 0,14%	<= 0,15%	A	29	> 3,02%	<= 3,03%	D
78	> 0,15%	<= 0,16%	A	28	> 3,03%	<= 3,27%	D
77	> 0,16%	<= 0,17%	A	27	> 3,27%	<= 3,53%	D
76	> 0,17%	<= 0,18%	A	26	> 3,53%	<= 3,82%	D
75	> 0,18%	<= 0,19%	A	25	> 3,82%	<= 4,12%	D
74	> 0,19%	<= 0,20%	A	24	> 4,12%	<= 4,45%	D
73	> 0,20%	<= 0,21%	A	23	> 4,45%	<= 4,80%	D
72	> 0,21%	<= 0,23%	A	22	> 4,80%	<= 5,18%	D
71	> 0,23%	<= 0,24%	A	21	> 5,18%	<= 5,59%	D
70	> 0,24%	<= 0,26%	B	20	> 5,59%	<= 6,03%	D
69	> 0,26%	<= 0,27%	B	19	> 6,03%	<= 6,50%	D
68	> 0,27%	<= 0,29%	B	18	> 6,50%	<= 7,00%	D
67	> 0,29%	<= 0,31%	B	17	> 7,00%	<= 7,54%	D
66	> 0,31%	<= 0,33%	B	16	> 7,54%	<= 8,12%	D
65	> 0,33%	<= 0,35%	B	15	> 8,12%	<= 8,74%	D
64	> 0,35%	<= 0,37%	B	14	> 8,74%	<= 9,40%	D
63	> 0,37%	<= 0,39%	B	13	> 9,40%	<= 10,10%	D
62	> 0,39%	<= 0,42%	B	12	> 10,10%	<= 10,85%	D
61	> 0,42%	<= 0,45%	B	11	> 10,85%	<= 11,65%	D
60	> 0,45%	<= 0,48%	B	10	> 11,65%	<= 12,50%	D
59	> 0,48%	<= 0,51%	B	9	> 12,50%	<= 13,40%	D
58	> 0,51%	<= 0,54%	B	8	> 13,40%	<= 14,36%	D
57	> 0,54%	<= 0,57%	B	7	> 14,36%	<= 15,37%	D
56	> 0,57%	<= 0,61%	B	6	> 15,37%	<= 16,44%	D
55	> 0,61%	<= 0,65%	B	5	> 16,44%	<= 17,57%	D
54	> 0,65%	<= 0,69%	B	4	> 17,57%	<= 18,76%	D
53	> 0,69%	<= 0,73%	B	3	> 18,76%	<= 20,01%	D
52	> 0,73%	<= 0,78%	B	2	> 20,01%	<= 21,32%	D
51	> 0,78%	<= 0,83%	B	1	> 21,32%	<= 99,99%	D



Monitoring customers

For customers who are monitoring large numbers of companies in Belgium, we can provide you with a report detailing their old scores, new scores and any credit limit changes. Please contact your account manager if your portfolio is suitable for such an analysis.*

Please be aware that all scores are subject to change by the launch date. The score shared with you will be accurate as of the date requested and the businesses' circumstance at that time.

Book a consultation with a Creditsafe expert

A scorecard change can impact every business differently and we are on hand to help you navigate any adjustments.

Our Account Managers are happy to provide additional resources and information.

If you foresee a large impact on your business, it may be possible to arrange an on-site visit.

Book a call or consultation with your account manager on +32 2 481 88 60 to find out more about the services we offer.



**Note: Not all portfolios are able to meet the necessary requirements for a detailed screening. Please contact your account manager or contact person for the necessary information regarding the requirements.*

FAQs & support

We are here to support you with any questions you may have during this period and have set up a number of online and offline resources to help.

Scorecard Webpage

You can find details of our scorecard along with any new announcements and resources on our dedicated webpage: <https://www.creditsafe.com/be/en/risk-and-credit-management/credit-check/credit-reports/credit-scorecards/credit-scorecards-belgium.html>

Here, you can as well navigate to the FAQ section to view the most frequently asked questions and answers

Business Support

You can also reach out to our Customer Success Team to ask an individual question directly. Our team is available from Monday - Friday 9am – 5pm via phone, email or online.



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