



**VMVOGmbH**  
Senior Expert Consultancy

**Credit assessment services**

**The Basel II concept and consequences**

Starting 2007, the Basel II capital accord will make credit rating procedures more complicated and thorough than ever before. No other financial regulation has the influence Basel II will have on credit rating. Already the impact on businesses everywhere is enormous.

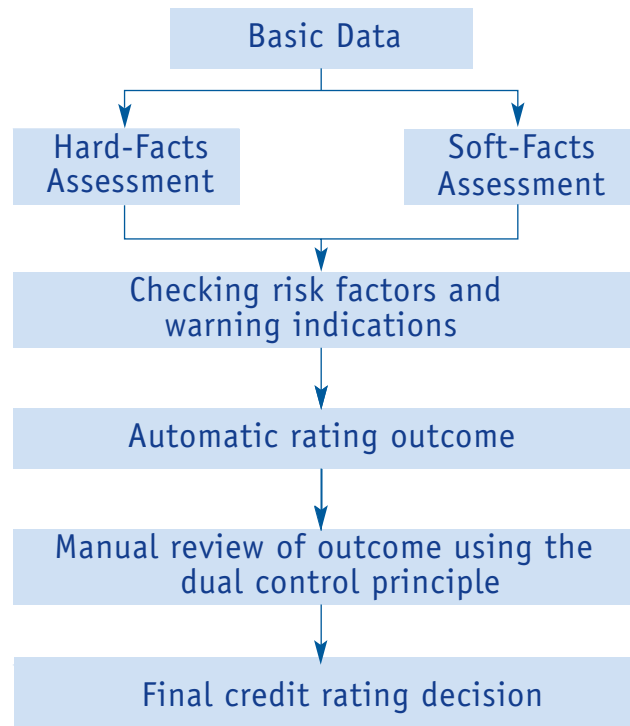
According to Basel II, credit institutions will have to cast a critical eye on a borrower's present performance, future goals, and (often hidden) weaknesses in order to determine a fair rating. Next to quantitative factors such as financial state, profitability, and year end figures; abstract qualitative factors such as market position, management/employee competence, and technological infrastructure will need to be taken into account. In Basel II, understanding a client's qualitative factors (also known as 'soft facts') will become key to a fair credit rating.

**Adapting strategies**

Pro-active thinking credit institutions should have a strategy in place that allows for access to credible, thorough, and unbiased assessments regarding their client's qualitative factors. Bridging the gap between understanding qualitative factors, and understanding their financial implications requires in-depth knowledge of the business and its market in question. Misinterpreting qualitative factors can have negative consequences for both creditor and borrower.

**The VMVO difference**

With VMVO senior experts you can rely on assessors who have the technical knowledge, and necessary experience to understand and determine the status of



Right from the start VMVO assists you with soft facts assessments by using experts who have in depth knowledge and experience in a multitude of fields. Contact us directly for a detailed overview of our competencies!

your client's qualitative factors. Having access to our diverse portfolio of expertise allows you to offer fair and unbiased qualitative assessments tailored to the business of your clients.

Clients knowing that they will receive a fair rating by an expert who understands their business sets the basis for mutual understanding, excellent client-creditor cooperation opportunities, and better perspectives for the future.

>>risk equals what you see, plus what you don't see.<<

### Discovering strengths, reducing weaknesses

No company consists of only strengths. A company that only shows its strengths should expect to be rigorously questioned about its weaknesses. When faced with an assessment by a respected expert in their field, your clients will present themselves as credible and realistic as possible during the rating procedure. Also, your clients may want to 'conveniently' oversee factors that would negatively affect their credit rating, are you asking the right questions to shed light on the bottom line? Our experts can!

Working together with our distinguished experts will allow your clients to discover new potentials and possibilities, as well as determining weak points and risks. Discovering new potentials and risks often positively affect company strategy, and thus their credit rating. In turn, obtaining a positive rating can be used by your client as an effective marketing tool towards customers and suppliers. A positive rating stands for the stability and efficiency of a company, and makes it stand out among competitors.

### New business ventures

New business ventures without a financial track record or past performance data have to rely on a solid and realistic business plan. A business plan should entail realistic expected market performance, supported by credible and plausible references. Assessing a business plan requires intimate knowledge of the market sector in question. Senior experts rely on years of experience and have detailed insider knowledge that can shed light on whether a business plan is feasible, and if it takes all relevant factors into account.

### Environmental credit rating assessments (ECRA)

In the past, issues such as sustainable development and environmental management were only pertaining to the industrial sector, current trend shifts have caused these issues to become associated with the financial sector as well. Credit institutions may find that they are perceived as indirectly (sometimes even directly) liable for any environmental damage by their borrowers, or may damage their reputation by their association with environmentally controversial clients or projects. Taking steps to address environmental challenges and implementing a positive environmental policy are part of an overall strategy for financial sustainability.

Traditionally a lender-borrower relationship is one in which a lender balances the financial risk of a borrower by taking assets as tokens of security. In such a lending relationship the lenders are particularly vulnerable to the (mis)behaviour of their borrowers, and requires accurate information regarding the status of security assets. History has been fraught with examples where claiming improperly assessed security (such as contaminated property) have resulted in financial loss, and in some cases turning security into a liability.

**>>a low likelihood of environmental risk could have a disproportionately high impact on profitability.<<**

Understanding the environmental risk associated with your client's projects and assets requires in depth and up to date technical environmental expertise. Our experts provide this expertise backed by years of hands-on & in the field exposure, their experience allows for expedited assessments which can be translated into financial credit ratings.

### The bottom line & our added value

In general credit rating assessors are able to:

- Assess market competence of the management
- Assess employee competence and motivation
- Assess organization structure, flexibility, viability
- Assess emergency and follow-up regulations
- Assess technological infrastructures

Senior expert assessors however, offer further competencies:

- Act as an assessor who is respected and deemed credible in their field
- Provide insights that can be implementing to reduce risk
- Advise what 'key ingredients' are missing in business plans
- Spot flaws in business plans based on past experience
- Using their network; cross checking references, and obtaining second opinions
- Clarify complex abstract qualitative concepts, and their effect on quantitative factors

For a detailed overview of our fields of expertise contact us directly, or refer to our website. We will gladly provide you with, or assist you in finding the appropriate experts to facilitate your credit assessments !

>>the years teach much which the days never know.<<

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