

Executive Summary

At a time when the world is coping with the economic shocks engendered by the coronavirus, a batch approach to risk assessment is a pragmatic way to get specific, concrete and current insights into your SME lending portfolio. Web Data allows for a variety of simple-to-complex solutions for acquisition and fraud identification, customer management and collections.

Experian's Web Data Insights solution allows for a more comprehensive view on risk. It provides a tested mechanism for portfolio risk segmentation. It exposes those businesses that may require extra attention, or who have credit limits that need to be tightened. Early collections strategies can be set to make sure the best strategy is followed when a client enters collections.

Using a combination of payment, financial, publicly available Web Data and advanced classification models, Experian assesses the credit status of SMEs in the Netherlands on a quarterly basis. These reports contain review of the past quarter and provide a reliable outlook on future trends. Special attention is paid to the impact Covid has on the financial viability of businesses today and over the next year and a half.

Summary of the status of SME health in the Netherlands during the final quarter of 2021

- Most sectors showed less risk in Q4 2021, most notably services industries and retail. Despite this improvement, we still see excessive risk in the hospitality sector.
- The manufacturing, construction and logistics were least impacted from a risk perspective during the pandemic. The risk outlook of these sectors weakened in Q4 2021, most likely due to inefficiencies caused by the pandemic.
- Sole traders were impacted most by the pandemic. Although this segment showed a strong improvement in risk metrics in Q4 2021, the default risk of this segment is still much higher than before the pandemic.

SME Health by Sector – The impact of COVID-19



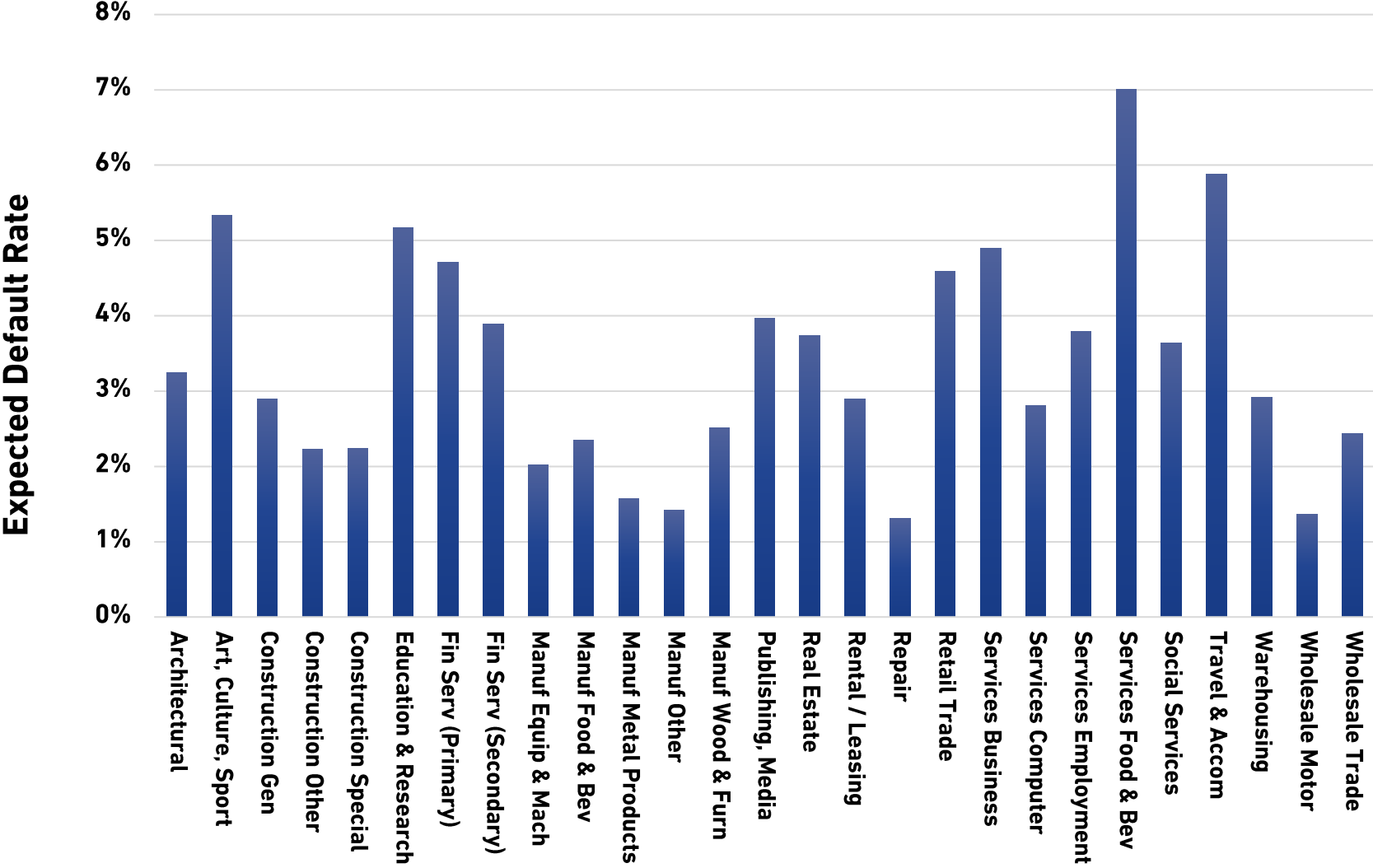
A material decline in credit scores in all sectors since the start of the pandemic can be observed.

The most impacted sectors are the Food & Beverage Services, Travel & Accom., Education & Research, and the Business Services sectors.

The sectors showing the biggest improvement in Q4 2021, are the Food & Beverage Services (in spite of the lockdown in December) and the Financial Services sectors.



Expected default rates by Sector - 18 Month Outlook, Jan 2022



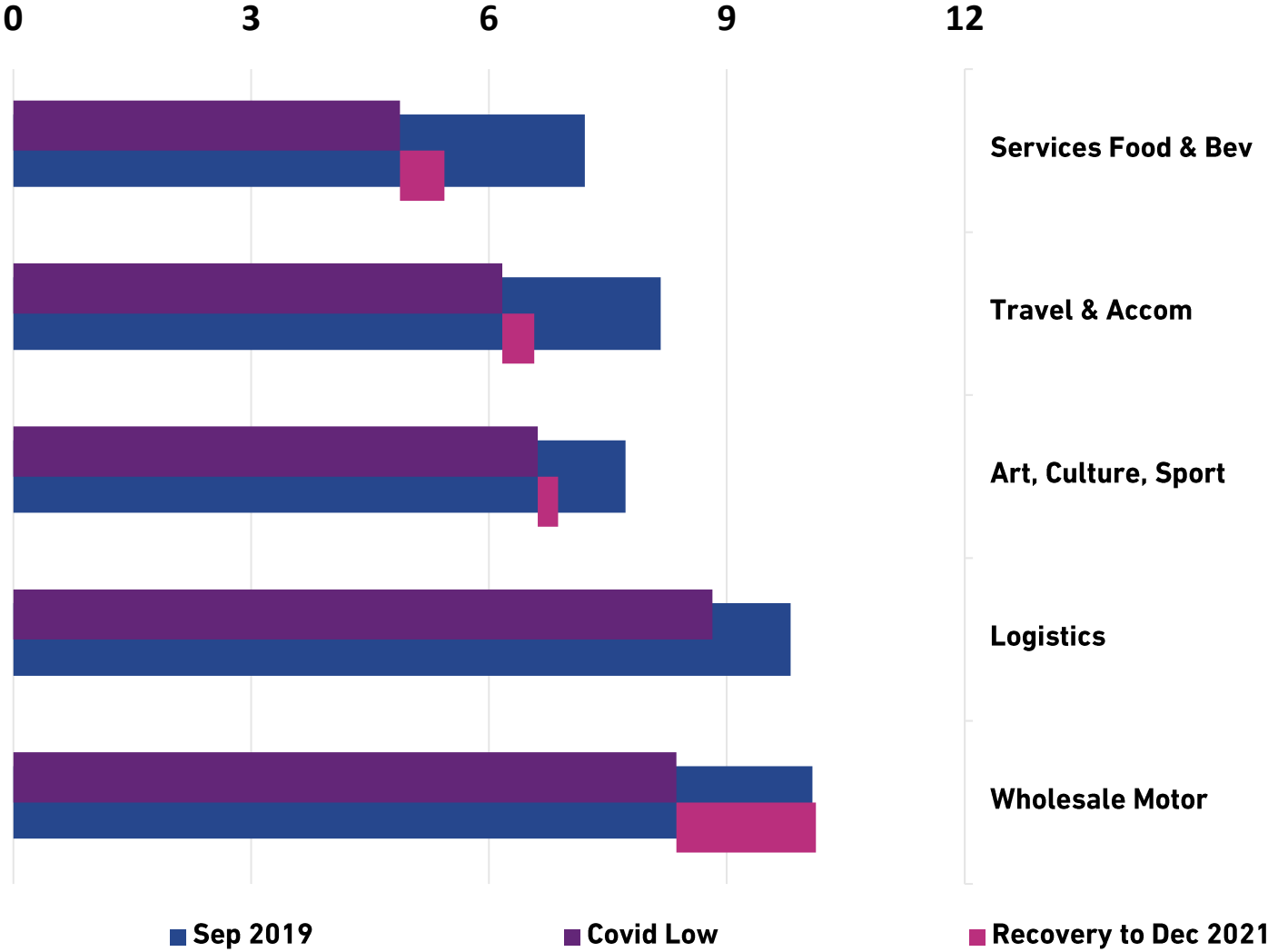
Current credit metrics show elevated levels of risk which point to higher default rates over the next 18 months (provided external financial support unwinds and normality returns to most sectors).

The Food & Beverage services, Travel & Accom., Education & Research, and the Art, Culture & Sport sectors show the most risk, whilst the Wholesale, Manufacturing and the Construction sectors show the least risk.



SME Health by Sector: Recovery to end Dec 2021

Credit Risk Scores (0 to 12, the higher the better)



Not all sectors are equal in the recovery: credit scores are recovering slowest in the Food & Beverage Services, Travel & Accom., and Art, Culture, Sport sectors.

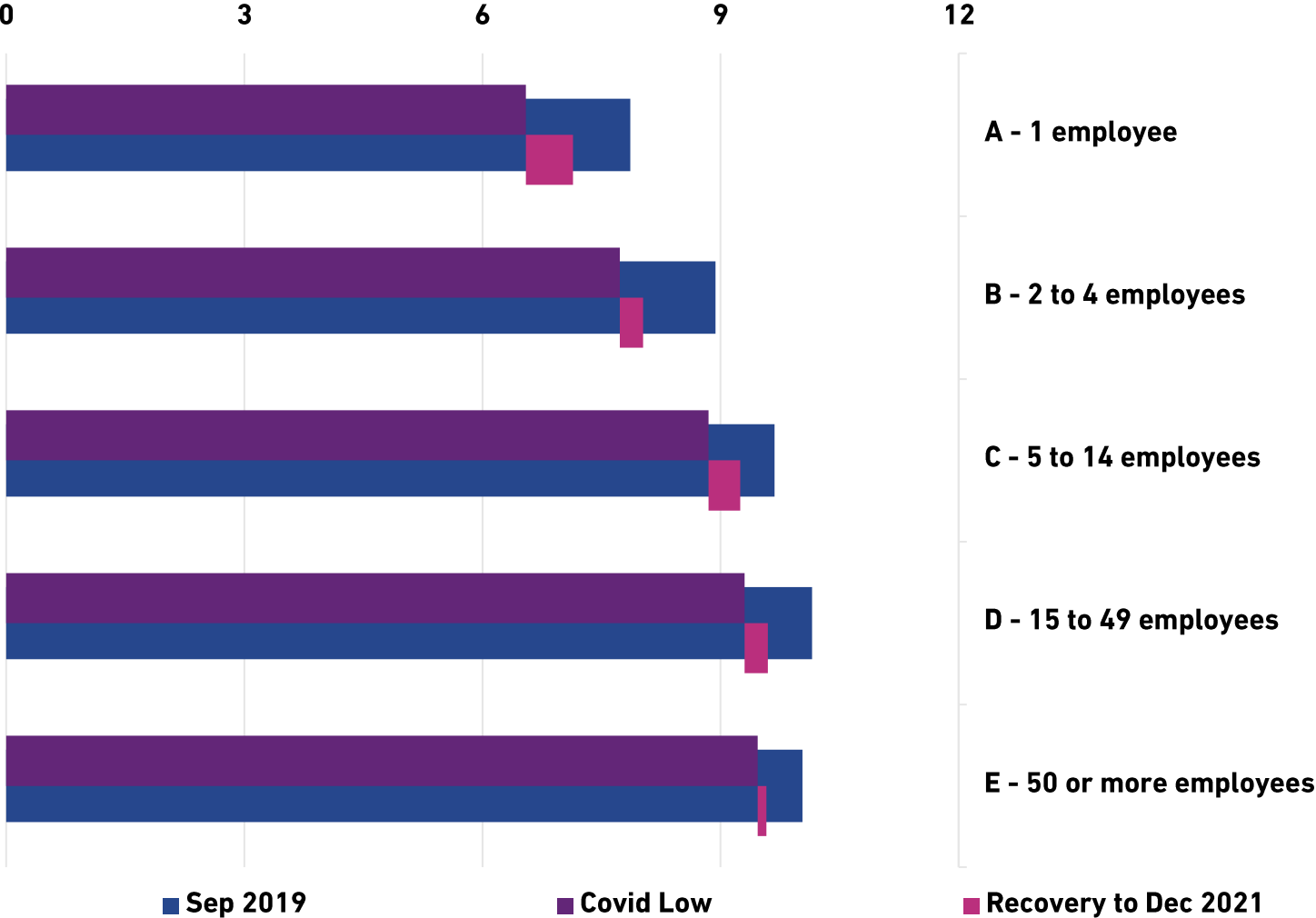
The Logistic sector was initially impacted least by the pandemic. This sector is now showing more risk as business conditions return to normal. Wholesale Motor is showing the same level of risk at Dec 2021 as before the pandemic.

Covid low refers to the lowest risk score during the pandemic for each company being monitored. Recovery to Dec 2021 is the increase in the risk score from this low to Dec 2021.



SME Health by Segment: Recovery to end Dec 2021

Credit Risk Scores (0 to 12, the higher the better)



Smaller companies are typically more risky than larger ones. This view is supported by historic default data and credit scores.

The credit scores of smaller companies were impacted more during Covid than larger companies (most likely due to a sectoral bias and lower reserve levels).

All segments are showing improvements in risk metrics and credit scores. Segment B is still lagging in the recovery (previously Segments A and B were lagging).

Covid low refers to the lowest risk score during the pandemic for each company being monitored. Recovery to Dec 2021 is the increase in the risk score from this low to Dec 2021.



Expected default rates by Segment & Sector - 18 Month Outlook

Outlook Pre-Covid

Outlook Jan 2022



>5% ■ 2.5%-5% ■ <2.5% ■

