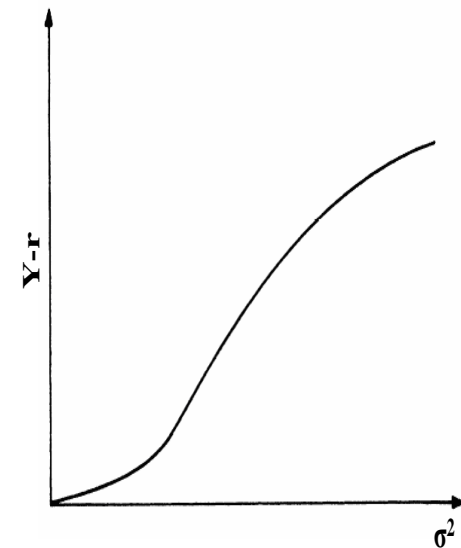
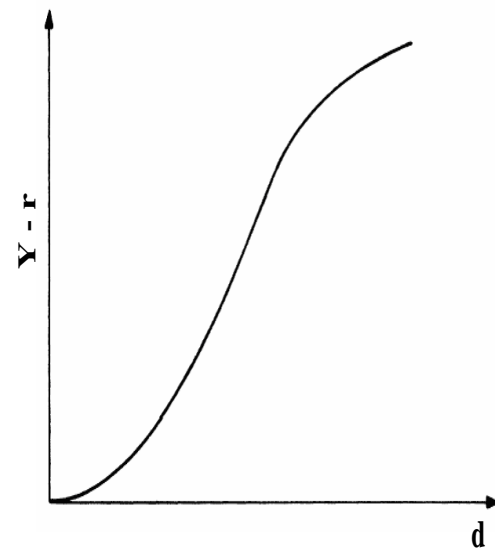
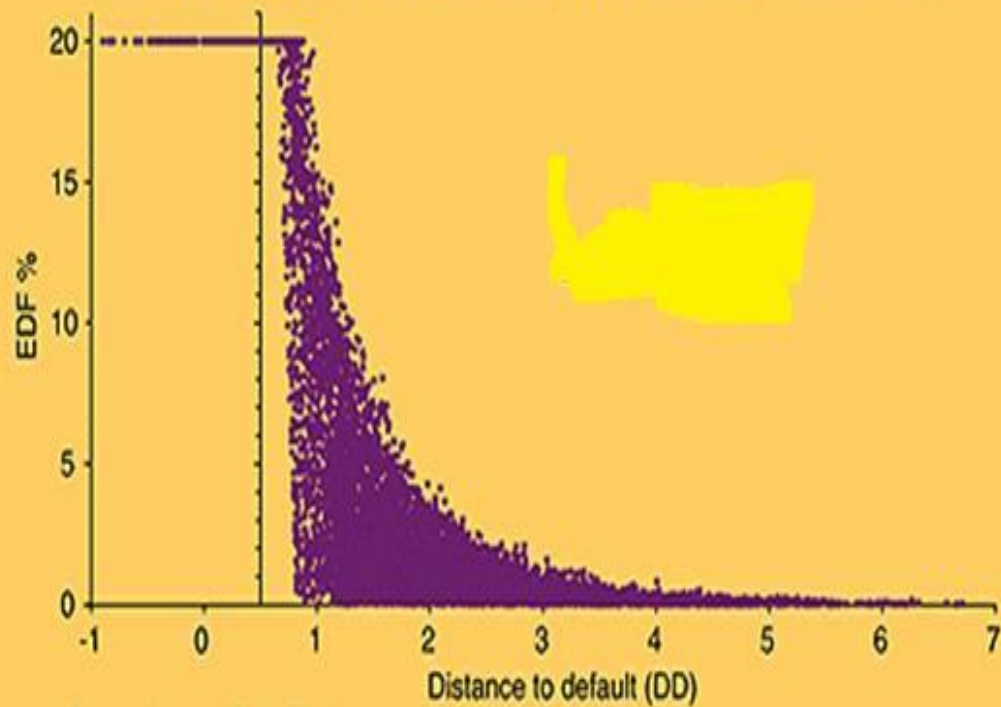


## 2. EDF and distance to default

(Based on 7,015 companies in KMV's July 1999 North American database)



**Table 1:** Real World and Risk Neutral Default Intensities (1 basis point is 0.01%)

Rating	Real-world default intensity per yr (bps)	Risk-neutral default intensity (bps)	Ratio	Difference
Aaa	4	67	16.8	63
Aa	6	78	13.0	72
A	13	128	9.8	115
Baa	47	238	5.1	191
Ba	240	507	2.1	267
B	749	902	1.2	153
Caa and Lower	1690	2130	1.3	440

9.000 società  
720 fallimenti  
EDF = 800 bp

DD = 1

15.000 società  
450 fallimenti  
EDF = 300 bp

DD = 2

30.000 società  
200 fallimenti  
EDF = 100 bp

DD = 3

35.000 società  
150 fallimenti  
EDF = 43 bp

DD = 4

40.000 società  
20 fallimenti  
EDF = 7 bp

DD = 5

42.000 società  
17 fallimenti  
EDF = 4 bp

DD = 6



EDF	S&P	Moody's
2-4 bps	AA	Aa2
4-10 bps	AA/A	A1
10-19 bps	A/BBB+	Baa1
19-40 bps	BBB+/BBB-	Baa3
40-72 bps	BBB-/BB	Ba1
72-101bps	BB/BB-	Ba3
101- 143 bps	BB-/B+	B1
143-202 bps	B+/B	B2
202-345 bps	B/B-	B2