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Addendum 1 to the CRI Technical Report (Version: 2023, Update 1)

This document updates the Technical Report (Version: 2023, Update 1) and details the CRI changes resulting from an update to the calculation of market capitalization. The changes have been implemented for the computation of the Distance-to-Default (DTD) and Probabilities of Default (PDs) since Sept 30 2025.

Market Capitalization Methodology Update

This addendum describes the change in the definition of market capitalization used by NUS-CRI. Market capitalization plays a central role in the calculation of DTD and PD, as it reflects the equity value of the firm and the buffer available to absorb losses.

To ensure clarity and consistency, NUS-CRI adopts a unified definition of market capitalization that applies across all firms and regions.

- Market capitalization is now defined as the sum of all related share classes, including common shares, preferred equity shares, and specified non-traded shares.
- Treasury shares are excluded across all markets.

Rationale for the Update

The updated methodology enhances:

- **Credit relevance:** Treasury shares are not tradable and do not represent financing capacity available to creditors. Excluding them ensures that market capitalization better reflects the effective equity buffer.
- **Consistency:** A single methodology is now applied uniformly across firms and regions, providing consistent treatment of market capitalization in the calculation of PDs.

Conclusion

This update strengthens the economic interpretation of market capitalization in the CRI model, ensuring that PD measures continue to provide a consistent and credit-relevant assessment of default risk across firms and regions.