

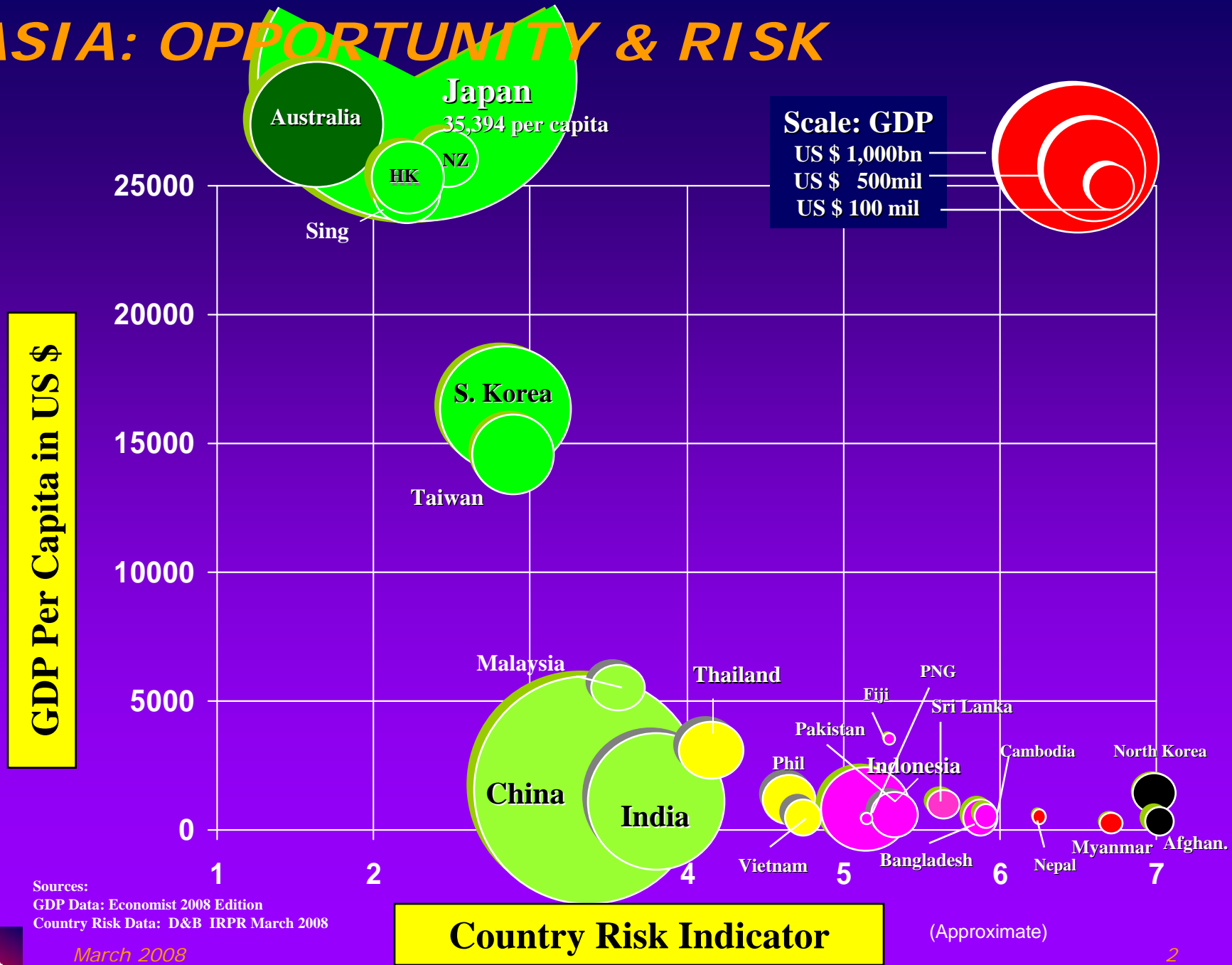
# *ASIAN COUNTRY RISK INDICATORS*

**Source: D&B International Risk & Payment Review March 2008**

[www.dnbcountryrisk.com](http://www.dnbcountryrisk.com)

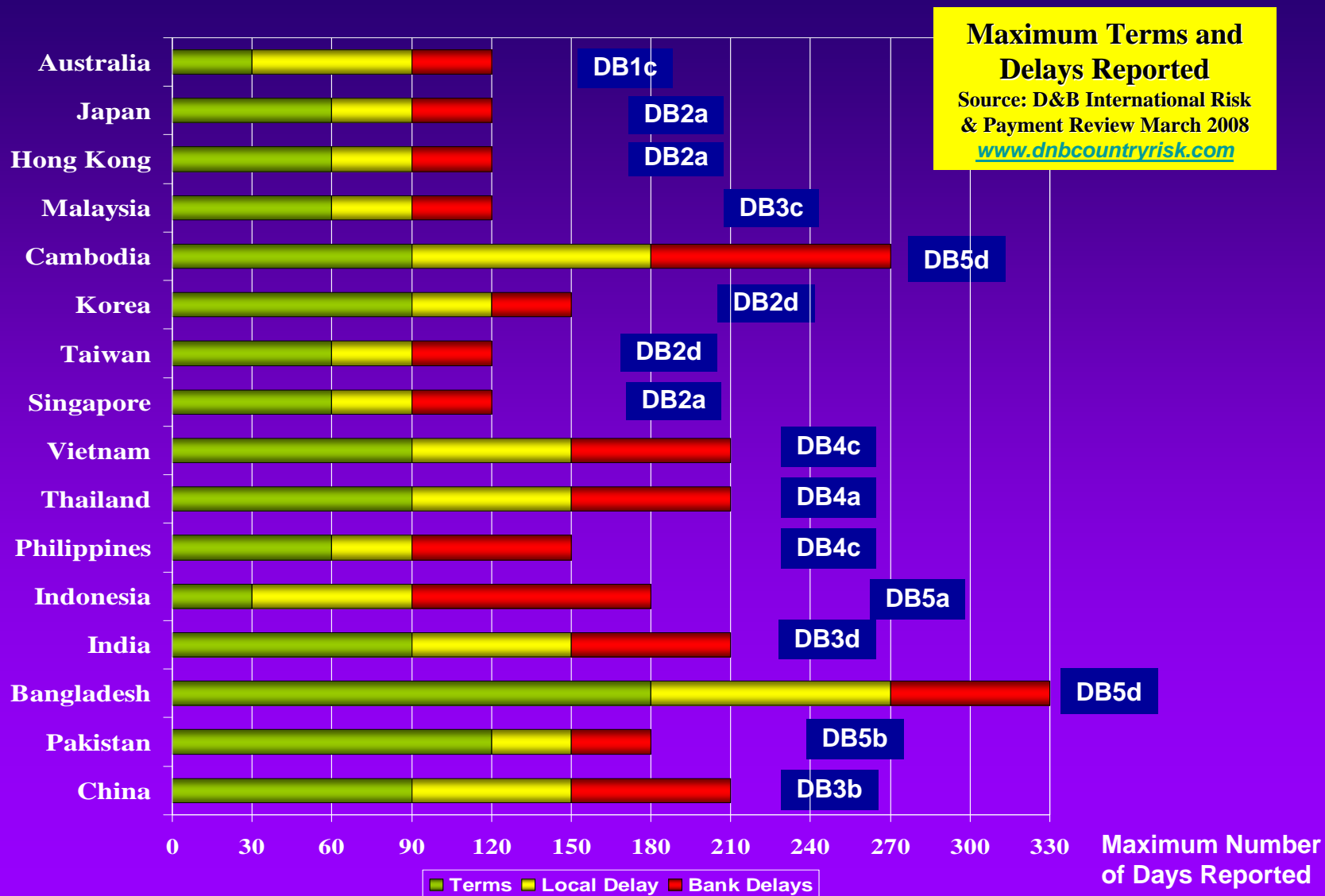
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# ASIA: OPPORTUNITY & RISK



# CREDIT TERMS & PAYMENT DELAYS

## Export Transactions Inbound



# COUNTRY RISK INDICATORS

## EXPLANATIONS:

**D&B's Country Risk Indicator** provides a comparative, cross-border assessment of the risk of doing business in a country. Essentially, the indicator seeks to encapsulate the risk that country-wide factors pose to the predictability of export payments and investment returns over a time horizon of two years. The risk indicator comprises a composite index of four over-arching country risk categories:

**Political Risk** - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

**Commercial Risk** - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions

**Macroeconomic risk** - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth and a commensurate expansion in business opportunities;

**External Risk** - the current account balance, capital flows, foreign exchange reserves, size of external debt and all such factors that determine whether a country can generate enough foreign exchange to meet its trade and foreign investment liabilities.

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# COUNTRY RISK INDICATORS

## EXPLANATIONS:

The DB risk indicator is divided into seven bands, ranging from DB I through DB7. Each band is subdivided into quartiles (*a-d*), with an *a* designation representing slightly less risk than a *b* designation and so on. Only the DB7 indicator is not divided into quartiles.

### Indicator Meaning Explanation:

**DB1 Lowest Risk:** Lowest degree of uncertainty associated with expected returns, such as export payments, and foreign debt and equity servicing.

**DB2 Low Risk:** Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

**DB3 Slight Risk:** Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

**DB4 Moderate Risk:** Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

**DB5 High Risk:** Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.

**DB6 Very High Risk:** Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.

**DB7 Highest Risk:** Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

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