

The Economist Intelligence Unit Credit Rating - Country risk ratings explained:

Country Risk Model uses quantitative and qualitative indicators covering 6 risk categories.

| **Sovereign risk** measures the risk of a build-up in arrears of principal and/or interest on foreign and/or local-currency debt that is the direct obligation of the sovereign or guaranteed by the sovereign.

| **Currency risk** measures the risk of maxi-devaluation against the reference currency (usually the US dollar, sometimes the euro) over the next 12-month period.

| **Banking sector risk** gauges the risk of a systemic crisis whereby bank(s) holding 10% or more of total bank assets become insolvent and unable to discharge their obligations to depositors and/or creditors.

| **Political risk** evaluates a range of political factors relating to political stability and effectiveness that could affect a country's ability and/or commitment to service its debt obligations and/or cause turbulence in the foreign exchange market.

| **Economic structure risk** encompasses a series of macroeconomic variables of a structural rather than a cyclical nature.

| **Overall country risk** is derived by taking a simple average of the scores for sovereign risk, currency risk, and banking sector risk.

Ratings bands

The rating scale runs from 0 to 100, and is divided into ten bands.

Score	0-12	9-22	19-32	29-42	39-52	49-62	59-72	69-82	79-92	89-100
Band	AAA	AA	A	BBB	BB	B	CCC	CC	C	D

Sovereign rating band characteristics

Characteristics of countries in the different sovereign rating bands are summarised as follows:

AAA	Capacity and commitment to honour obligations not in question under any foreseeable circumstances.
AA	Capacity and commitment to honour obligations not in question.
A	Capacity and commitment to honour obligations strong.
BBB	Capacity and commitment to honour obligations currently but somewhat susceptible to changes in economic climate.
BB	Capacity and commitment to honour obligations currently but susceptible to changes in economic climate.
B	Capacity and commitment to honour obligations currently but very susceptible to changes in economic climate.
CCC	Questionable capacity and commitment to honour obligations. Patchy payment record.
CC	Somewhat weak capacity and commitment to honour obligations. Patchy payment record. Likely to be in default on some obligations.
C	Weak capacity and commitment to honour obligations. Patchy payment record. Likely to be in default on significant amount of obligations.
D	Very weak capacity and commitment to honour obligations. Poor payment record. Currently in default on significant amount of obligations.