

Appendix 8

Country Risk analysis of Producer lending

By ensuring our lending portfolio contains a spread across countries in different risk categories, we balance the desire for our share capital to reach those who need it most with the need to avoid placing our members' capital at excessive risk. To make this analysis we use Coface, a French credit insurer, who on a quarterly basis publishes its assessments of country risk for 160 countries with an evaluation made on economic, financial and political data. This is an invaluable tool, giving an indication of a country's potential influence on businesses' financial commitments.

Their analyses use a eight-level ranking. In ascending order of risk, these are: A1, A2, A3, A4, B, C, D and E.



As E country represent to much of a risk we provided lending to organisations classified between A and D considering the below categories:

Category	Risk assessment
A	The political and economic outlook can vary between very good and somewhat shaky. The business environment is relatively stable although volatility may affect corporate payment behaviour. Corporate default probability is more than acceptable on average.
B	The business environment is mediocre. The availability and the reliability of corporate financial information vary widely. Debt collection can sometimes be difficult. The institutional framework has a few troublesome weaknesses. Inter-company transactions run appreciable risks in the unstable, largely inefficient environment.
C	The business environment is difficult. Corporate financial information is often unavailable and when available often unreliable. Debt collection is unpredictable. The institutional framework has many troublesome weaknesses. Inter-company transactions run major risks in a difficult environment.
D	The business environment is very difficult. Corporate financial information is rarely available and when available usually unreliable. The legal system makes debt collection very unpredictable. The institutional framework has very serious weaknesses. Inter-company transactions can thus be very difficult to manage in the highly risky environment.