Specific Issues Related to Sovereign Ratings

Paris Club Meeting with Private Sector

Paris, May 2007

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ABN·AMRO

What is Sovereign rating about?

- **Internal system**

- **Benchmarked against external ratings**

- **Based on quantitative data and qualitative assessments**

- **Pillars: Structural setting, government balance and government debt, private sector soundness, monetary stability, foreign debt, current account, international liquidity and political stability**

- **Foreign and local currency rating (Fcy and Lcy)**

- **Outlooks**

- **Flags - short term risk signals**

Sovereign rating

- **Ranking is primarily forward looking (three years horizon) and not mechanical. Anticipatory scores and qualitative assessments are allocated a weighting of around 65%**

- **Short term developments play an important role as well: short term debt, reserves and the assessment of the liquidity situation count for around 20%. (reflected in flags, event risk analysis)**

- **Rating agencies are used as reference**

- **Focal points liquidity and solvability of a sovereign in relation to its willingness and ability to fulfil its payments obligations**

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Basics of Sovereign Rating System

- **Pillars**

- **Data + scales = (sub)scores**

- **Assessments**

- **Weights**
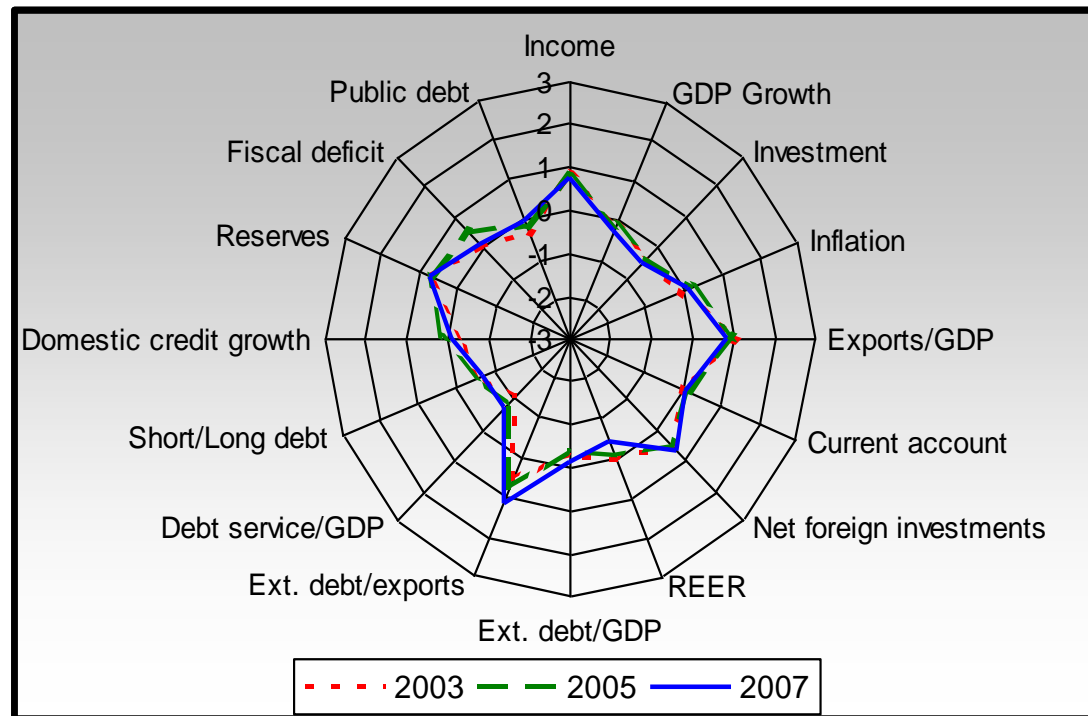
- **Final scores**

Snapshot overview Bangladesh

Economic performance vis-à-vis other Emerging Markets.

Emerging Markets average is equal to 0

Graph shows deviation from average in number of standard deviations.

Outward movements indicate risk deterioration

Bangladesh pillar scores

Bangladesh

Pillar scores

Pillar	Score
Structural setting	3.3
Private sector soundness	4.1
Government debt	2.1
Government balance	2.2
Monetary stability	6.6
Current account	7.5
International liquidity	5.5
Foreign debt	5.5
Political situation	3.0

0   2   4   6   8   10
min   max

Jamaica

Pillar scores

Pillar	Score
Structural setting	4.4
Private sector soundness	4.7
Government debt	3.6
Government balance	5.0
Monetary stability	5.6
Current account	2.1
International liquidity	5.0
Foreign debt	6.5
Political situation	4.0

0   2   4   6   8   10
min   max

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Snapshot overview Ghana

Economic performance vis-à-vis other Emerging Markets.

Emerging Markets average is equal to 0

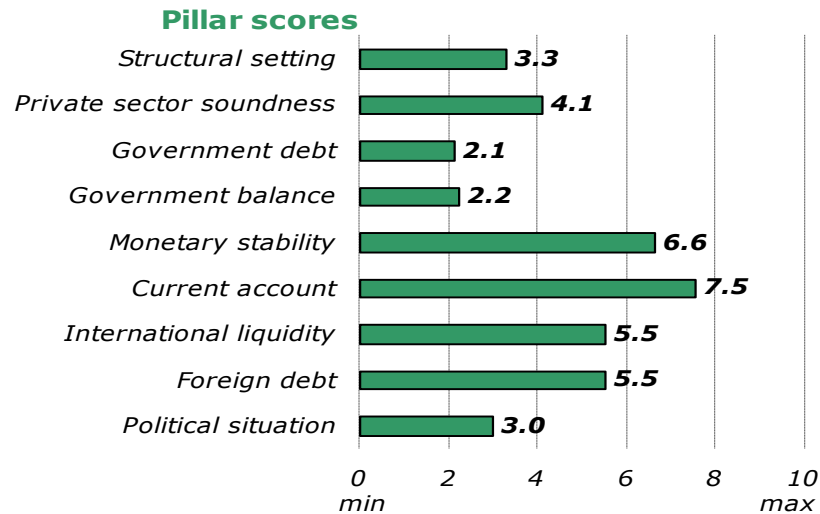Graph shows deviation from average in number of standard deviations.

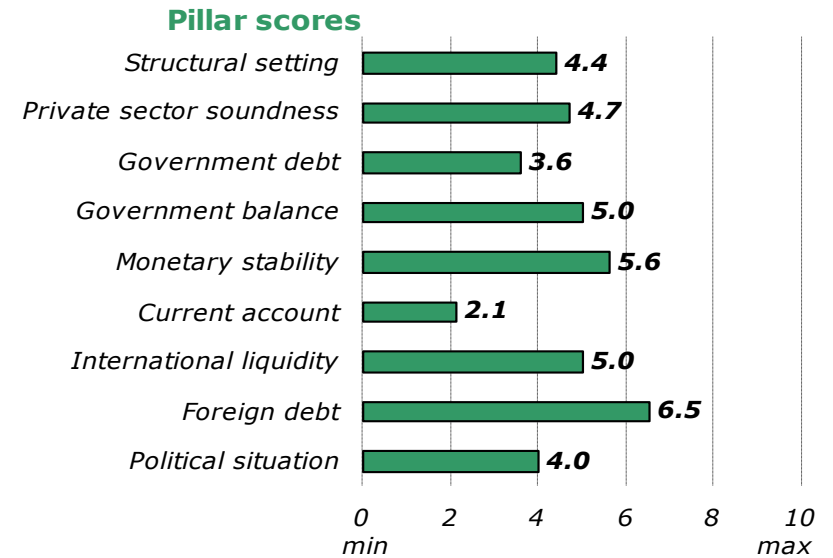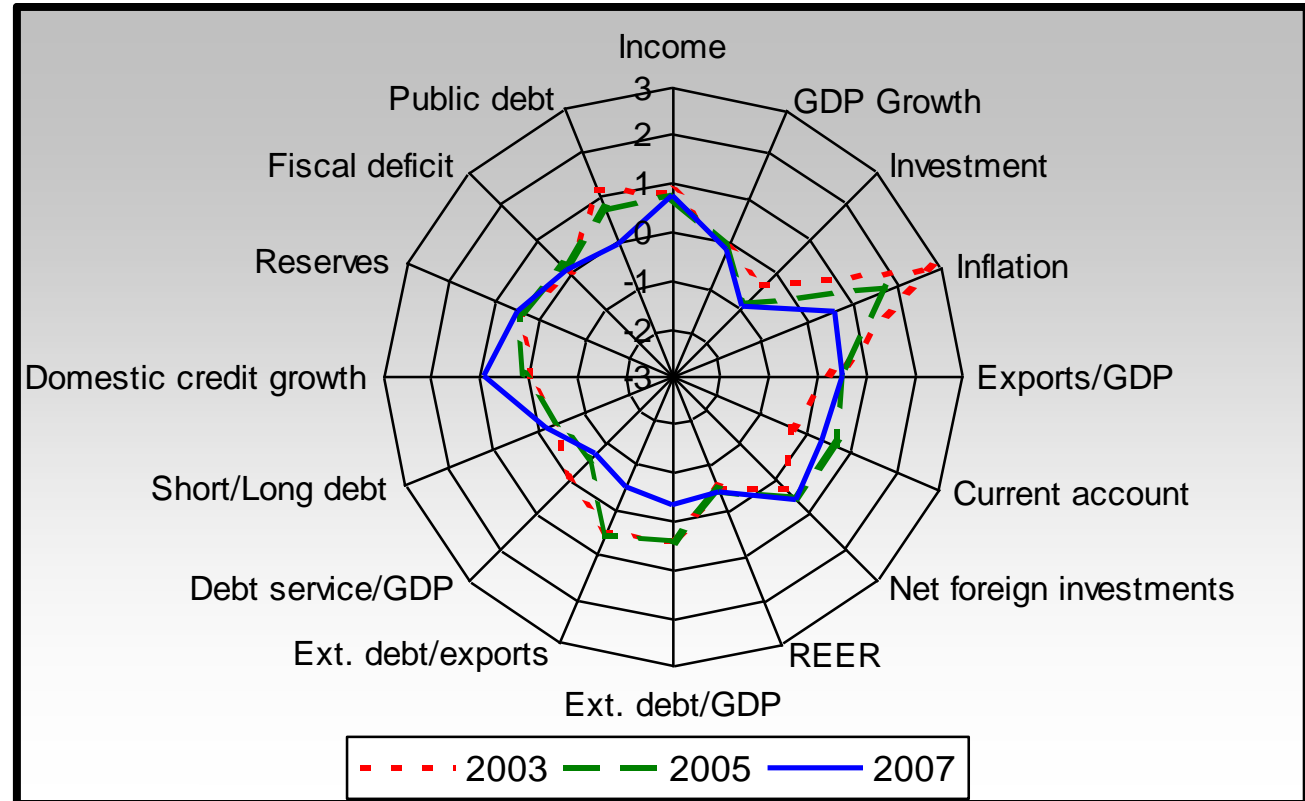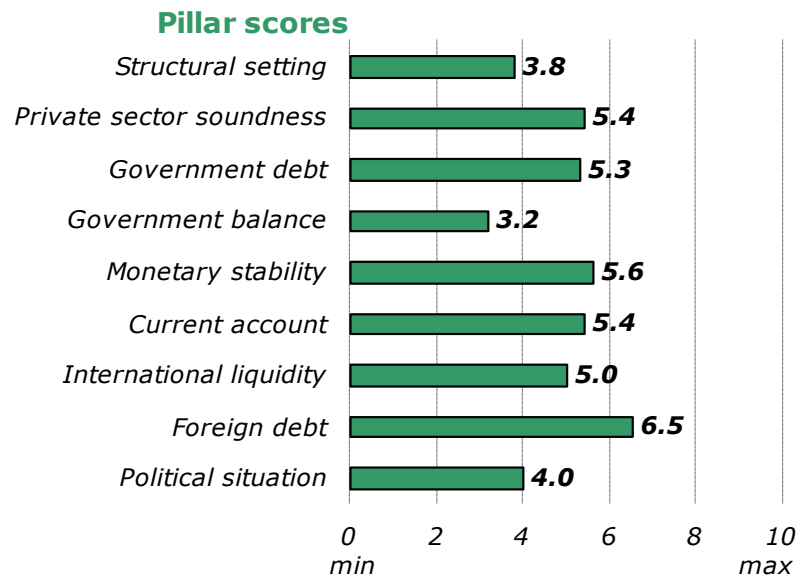
Outward movements indicate risk deterioration

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Ghana pillar scores

Ghana

Pillar scores

Pillar	Score
Structural setting	3.8
Private sector soundness	5.4
Government debt	5.3
Government balance	3.2
Monetary stability	5.6
Current account	5.4
International liquidity	5.0
Foreign debt	6.5
Political situation	4.0

0   2   4   6   8   10
min   max

Philippines

Pillar scores

Pillar	Score
Structural setting	4.4
Private sector soundness	4.6
Government debt	2.5
Government balance	6.7
Monetary stability	6.5
Current account	8.0
International liquidity	5.8
Foreign debt	7.0
Political situation	4.0

0   2   4   6   8   10
min   max