



JARDINE LLOYD THOMPSON

PRESS RELEASE

An unstable global economy Australian banks face rising credit & political risks

13 August, Sydney - There is a changing trend on the use of credit protection, credit enhancement, asset protection and capital relief by financial institutions in Australia reports Jardine Lloyd Thompson's capital risk expert Nick Brown who developed the first credit insurance policy used in Australia that was Basel II compliant.

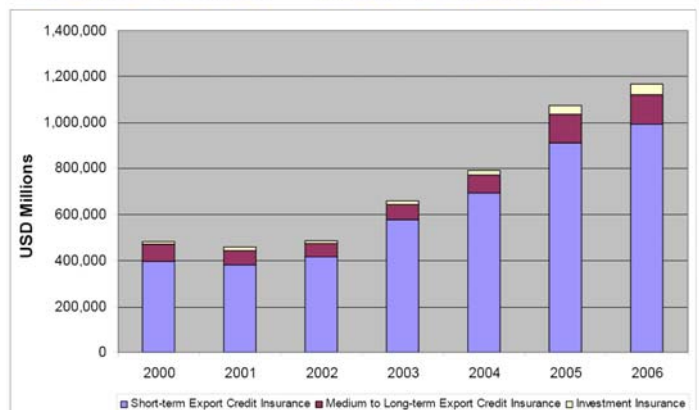
Credit Risk Outlook

The current "credit crunch" that is impacting on the global business environment has sparked an increase of non-payment or non-delivery risks, threatening the future outlook of the banking sector in Australia. Nick, who recently addressed over 100 key decision makers from Australian banks at the Australian Credit and Political Risk Forum (ACPR) held in Sydney, warns, "Although the claims trend for Australian export credit has been benign over the past five years, it is expected to rise in parallel with increased levels of defaulted loans and bad debt caused by the global credit crunch."

As banks seek to increase their confidence level to cover potential unexpected credit losses, the demand for credit risk insurance has risen together with other credit risk distribution tools like credit default swaps, financial guarantees, securitisation, unfunded risk, collateralised debt and syndication.

"In comparison to the US and Europe, Australian usage of credit protection has always been limited, due to a skills shortage within this specialised area," said Nick. "Recently, we have seen an increase in the number of credit and political risk underwriters who are able to offer insurance solutions. Competition within the market also means that prices for credit risk protection remains modest, but a change in prices is expected next year."

Berne Union – New Business



Figures taken from the Berne Union Yearbook 2008. The Berne Union has over 70 members, including Atradius, Coface, EFIC, Euler Hermes and Zurich.



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Political Risk outlook

Apart from the credit crunch, banks investing or trading with overseas territories face a host of political risks stemming from food shortages, rising oil prices, regulatory changes, economic uncertainty, increasing calls for regime changes and terrorist threats. The political, economic and social landscape in Asia, South America and Africa is changing on an almost daily basis. With these changes comes an even greater uncertainty about the country and political risks banks will face. In emerging economies in particular, political risk is expected to pose a considerably greater threat to trade and investment over the next five years.

Political and in country risks have risen to such a level that any company venturing overseas would have to seriously assess them before making an investment commitment. In order to assist in this task the Jardine Lloyd Thompson Group has developed the World Risk Review (WRR), a political and economic risk assessment of 197 countries. This assessment is designed to help corporations, banks and others involved in trade and investment develop more robust risk management strategies.

Below are the risk ratings (broken down into nine different categories based on Investment Environment, Trading Environment and Political Violence) for Australia and some Asian countries.

RISK RATINGS - ASIAN COUNTRIES

Country	Political Violence			Trading Environment			Investment Environment		
	Strikes Riots and Civil Commotion	Terrorism	War and Civil War	Country and Economic Risk	Currency Inconvertibility and Transfer Risk	Sovereign Credit Risk	Expropriation	Contractual Agreement Repudiation	Legal and Regulatory Risk
Australia	2	3	1	3	2	2	2	2	2
Bangladesh	7	7	6	6	6	7	7	7	7
Cambodia	6	4	4	5	7	9	6	7	7
China	5	3	3	4	4	5	6	7	6
India	6	8	4	5	5	5	4	5	6
Iraq	10	10	10	8	8	9	9	8	9
Korea (North)	4	2	6	10	10	10	10	10	10
Korea (South)	4	3	4	3	3	3	3	4	3
Macau (China)	3	2	3	3	4	3	5	5	4
Malaysia	5	4	3	4	4	4	4	5	4
Papua New Guinea	6	3	5	7	5	7	7	7	7
Philippines	6	7	6	5	5	6	6	5	6
Singapore	1	2	1	2	1	1	2	3	1
Sri Lanka	8	7	8	5	6	6	4	5	6
Taiwan	3	2	3	3	3	3	2	3	3
Thailand	6	6	5	7	6	5	6	7	6
Vietnam	5	2	5	5	5	6	6	7	6

The full risk ratings for 197 countries can be accessed at www.jltgroup.com/worldriskreview. Whilst emerging market investment presents significant perils, these same perils can be managed through a considered risk assessment and management strategy, and by utilizing tools such as the WRR. At the same time that some of these perils can be “managed” they cannot be totally eliminated and this is where Political Risks Insurance (“PRI”) may provide a valuable safety net.

About Australia Credit & Political Risk Forum

The ACPR Forum organised by insurance broker Jardine Lloyd Thompson showcased real life case studies on how different Australian financial institutions and projects had found solutions to these credit and political risks by leading insurers Assetinsure, Atradius, Coface, EFIC, Euler Hermes, QBE and Zurich. The Forum’s portal set-up by JLT at <http://www.jlta.com.au/acprforum/> provides a copy of the presentations given by the various speakers. The online portal also provides information sheets for financial institutions so they can understand what sort of insurance cover is available for their various business sectors. If you require photos of any of the other speakers, please contact JLT Marketing Manager, Josephine Comparet at (02) 9290 6753 or e-mail Compi@jlta.com.au

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