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Banking Industry Country Risk Assessment Update: August 2014

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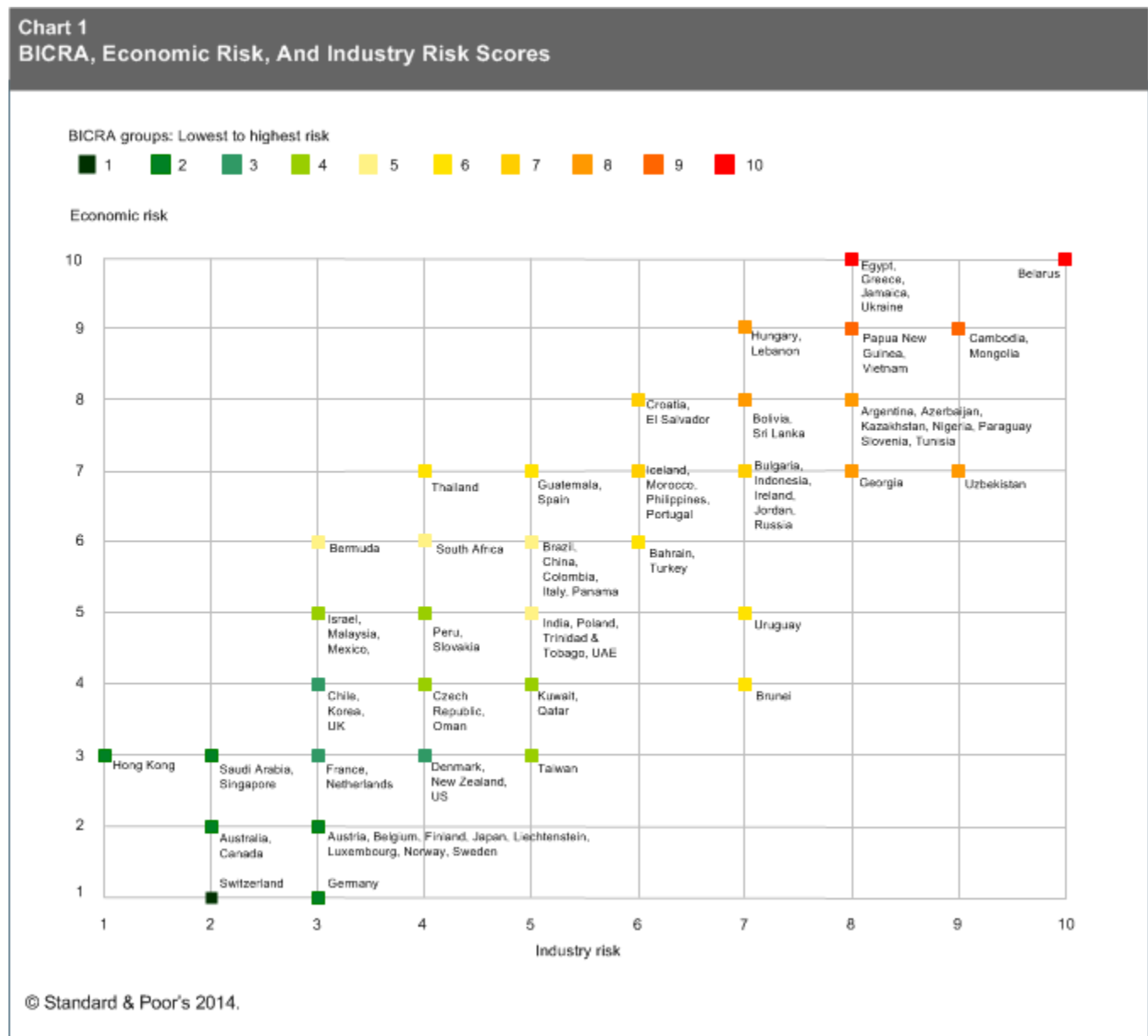
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Banking Industry Country Risk Assessment Update: August 2014

This article presents updates to Standard & Poor's Ratings Services' scores for the 84 banking systems that it currently reviews under its Banking Industry Country Risk Assessment (BICRA) methodology (see the chart below and the tables in the appendix). We also present economic and industry risk trends for those banking systems.



Latest BICRA Actions And Reports

Since we last published this report on July 10, 2014, there have been no changes to our BICRA scores or groupings.

BICRA reports

Since we last published this report, we released comprehensive BICRA reports on Egypt, Singapore, Germany, Kazakhstan, France, Mexico, Chile, and Uruguay:

- "Banking Industry Country Risk Assessment: Egypt," on Aug. 4, 2014;
- "Banking Industry Country Risk Assessment: Singapore," on Aug. 1, 2014;
- "Banking Industry Country Risk Assessment: Germany," on July 29, 2014;
- "Banking Industry Country Risk Assessment: Kazakhstan," on July 24, 2014;
- "Banking Industry Country Risk Assessment: France," on July 23, 2014;
- "Banking Industry Country Risk Assessment: Mexico," on July 16, 2014;
- "Banking Industry Country Risk Assessment: Chile," on July 14, 2014; and
- "Banking Industry Country Risk Assessment: Uruguay," on July 11, 2014.

About BICRAs

The strengths and weaknesses of an economy and banking industry are critical factors that underpin the creditworthiness of a country's financial institutions. We distill this analysis into a single Banking Industry Country Risk Assessment (BICRA), "designed to evaluate and compare global banking systems," as stated in our criteria. A BICRA is scored on a scale from '1' to '10', ranging from what we view as the lowest-risk banking systems (group '1') to the highest-risk (group '10'). The BICRA methodology has two main analytical components: "economic risk" and "industry risk."

A BICRA analysis for a country covers all of its financial institutions that take deposits, extend credit, or engage in both activities, whether we rate them or not. In addition, the analysis considers the relationship of the banking industry to the financial system, and furthermore to its sovereign. For that reason, many of the factors underlying a sovereign rating are important in determining a BICRA score.

Our analysis of economic risk of a banking sector takes into account the structure and stability of the country's economy, including the central government's macroeconomic policy flexibility; actual or potential economic imbalances; and the credit risk of economic participants--mainly households and enterprises.

Our view of industry risk factors in the quality and effectiveness of bank regulation and the track record of authorities in reducing vulnerability to financial crises, as well as the competitive environment of a country's banking industry--including the industry's risk appetite, structure, and performance--and possible distortions in the market. Industry risk also addresses the range and stability of funding options available to banks, including the role of the central bank and government.

Part of our review involves an evaluation of governments' tendency to support private banks in countries where we assign BICRA scores. Our view of the likelihood of government support may influence our issuer credit rating on

systemically important banks in a particular country, according to our criteria (see "Banks: Rating Methodology And Assumptions," published on Nov. 9, 2011).

Appendix: Latest BICRA Scores

Table 1

BICRAs By Group And Country				
(Group '1' to '10', from lowest to highest risk)				
Group 1	Group 2	Group 3	Group 4	Group 5
Switzerland	Australia	Chile	Czech Republic	Bermuda
	Austria	Denmark	Israel	Brazil
	Belgium	France	Kuwait	China
	Canada	Korea	Malaysia	Colombia
	Finland	Netherlands	Mexico	India
	Germany	New Zealand	Oman	Italy
	Hong Kong	U.K.	Peru	Panama
	Japan	U.S.	Qatar	Poland
	Liechtenstein		Slovakia	South Africa
	Luxembourg		Taiwan	Trinidad and Tobago
	Norway			United Arab Emirates
	Saudi Arabia			
	Singapore			
	Sweden			
Group 6	Group 7	Group 8	Group 9	Group 10
Bahrain	Bulgaria	Argentina	Cambodia	Belarus
Brunei	Croatia	Azerbaijan	Mongolia	Egypt
Guatemala	El Salvador	Bolivia	Papua New Guinea	Greece
Spain	Iceland	Georgia	Vietnam	Jamaica
Thailand	Indonesia	Hungary		Ukraine
Turkey	Ireland	Kazakhstan		
Uruguay	Jordan	Lebanon		
	Morocco	Nigeria		
	Philippines	Paraguay		
	Portugal	Slovenia		
	Russia	Sri Lanka		
		Tunisia		
		Uzbekistan		

BICRAs--Banking Industry Country Risk Assessments. Source: Standard & Poor's Ratings Services.

Table 2

BICRA Economic Risk And Industry Risk Scores And Components

(Group '1' to '10', from lowest to highest risk)

Country	BICRA Group	--Economic risk factors and descriptors--			--Industry risk factors and descriptors--				
		Economic Resilience	Economic Imbalances	Credit risk in the economy	Economic risk	Institutional framework	Competitive dynamics	Systemwide funding	Industry risk
Switzerland	1	Very Low	Very Low	Low	1	Low	Low	Low	2
Germany	2	Very Low	Very Low	Low	1	Intermediate	Intermediate	Very Low	3
Australia	2	Very Low	Intermediate	Low	2	Very Low	Very Low	Intermediate	2
Canada	2	Very Low	Intermediate	Low	2	Very Low	Low	Low	2
Austria	2	Very Low	Low	Intermediate	2	Intermediate	Intermediate	Low	3
Belgium	2	Low	Low	Low	2	Intermediate	Intermediate	Low	3
Finland	2	Low	Low	Low	2	Intermediate	Low	Intermediate	3
Japan	2	Low	Low	Low	2	Intermediate	Intermediate	Very Low	3
Liechtenstein	2	Low	Low	Low	2	Intermediate	Intermediate	Low	3
Luxembourg	2	Very Low	Very Low	Intermediate	2	Intermediate	Intermediate	Very Low	3
Norway	2	Very Low	Intermediate	Low	2	Intermediate	Low	Intermediate	3
Sweden	2	Very Low	Intermediate	Low	2	Intermediate	Low	Intermediate	3
Hong Kong	2	Very Low	High	Low	3	Very Low	Low	Very Low	1
Saudi Arabia	2	Intermediate	Low	Intermediate	3	Low	Low	Low	2
Singapore	2	Very Low	High	Low	3	Very Low	Low	Low	2
France	3	Low	Intermediate	Low	3	Low	Intermediate	Low	3
Netherlands	3	Low	Intermediate	Intermediate	3	Intermediate	Intermediate	Low	3
Denmark	3	Very Low	Intermediate	Intermediate	3	Intermediate	Intermediate	Intermediate	4
New Zealand	3	Very Low	Intermediate	Intermediate	3	Low	Low	High	4
U.S.	3	Very Low	Low	High	3	Intermediate	High	Very Low	4
Chile	3	Intermediate	Intermediate	Intermediate	4	Low	Intermediate	Low	3
Korea	3	Intermediate	Low	High	4	Intermediate	Intermediate	Low	3
U.K.	3	Very Low	Intermediate	High	4	Intermediate	Intermediate	Low	3
Taiwan	4	Intermediate	Low	Intermediate	3	Intermediate	Very High	Very Low	5
Czech Republic	4	Intermediate	Intermediate	Intermediate	4	Intermediate	Intermediate	Intermediate	4
Oman	4	Intermediate	Low	High	4	Intermediate	Intermediate	Intermediate	4
Kuwait	4	Low	Intermediate	High	4	Very High	Intermediate	Low	5
Qatar	4	Low	High	Intermediate	4	Intermediate	High	Intermediate	5
Israel	4	Intermediate	Intermediate	High	5	Intermediate	Intermediate	Low	3
Malaysia	4	High	Low	High	5	Intermediate	Intermediate	Low	3
Mexico	4	High	Very Low	High	5	Intermediate	Intermediate	Low	3
Peru	4	Intermediate	Low	Very High	5	Low	Intermediate	High	4
Slovakia	4	Intermediate	Intermediate	High	5	Intermediate	Intermediate	Intermediate	4
India	5	High	Low	High	5	High	High	Low	5
Poland	5	High	Intermediate	Intermediate	5	Intermediate	Intermediate	High	5

Table 2

BICRA Economic Risk And Industry Risk Scores And Components (cont.)									
United Arab Emirates	5	Low	High	High	5	High	Intermediate	Intermediate	5
Trinidad and Tobago	5	High	Low	High	5	High	High	Low	5
Bermuda	5	Intermediate	Very High	Intermediate	6	Intermediate	Low	Intermediate	3
Brazil	5	High	High	Intermediate	6	Intermediate	High	Intermediate	5
China	5	Intermediate	High	High	6	High	High	Very Low	5
Colombia	5	High	Intermediate	High	6	High	Intermediate	Intermediate	5
Italy	5	High	Intermediate	High	6	Intermediate	Intermediate	High	5
Panama	5	Intermediate	High	High	6	Intermediate	Low	Very High	5
South Africa	5	High	Intermediate	High	6	Intermediate	Intermediate	Intermediate	4
Brunei	6	Intermediate	Low	High	4	Extremely High	High	Low	7
Uruguay	6	Intermediate	Intermediate	High	5	High	High	Very High	7
Turkey	6	High	High	Intermediate	6	Intermediate	Intermediate	Very High	6
Bahrain	6	High	Intermediate	High	6	Intermediate	Very High	Intermediate	6
Guatemala	6	Very High	Low	Very High	7	High	Intermediate	Intermediate	5
Spain	6	Intermediate	Very High	High	7	Intermediate	Intermediate	High	5
Thailand	6	High	Intermediate	Very High	7	Intermediate	High	Low	4
Bulgaria	7	High	High	Very High	7	High	High	High	7
Iceland	7	High	High	High	7	High	Intermediate	High	6
Morocco	7	Very High	Intermediate	Very High	7	High	Intermediate	High	6
Philippines	7	Very High	Low	Very High	7	Very High	Intermediate	Intermediate	6
Portugal	7	High	High	Very High	7	Intermediate	Intermediate	Very High	6
Indonesia	7	Very High	Intermediate	Very High	7	Very High	High	Intermediate	7
Ireland	7	Low	Very High	Very High	7	High	High	High	7
Jordan	7	Very High	Intermediate	Very High	7	High	High	High	7
Russia	7	High	Intermediate	Very High	7	Very High	High	High	7
El Salvador	7	Extremely High	Low	Very High	8	Intermediate	Intermediate	Very High	6
Croatia	7	Very High	High	Very High	8	High	High	Intermediate	6
Azerbaijan	8	High	Intermediate	Extremely High	8	Very High	High	Very High	8
Georgia	8	Very High	Intermediate	Very High	7	Intermediate	High	Extremely High	8
Uzbekistan	8	Very High	Intermediate	Very High	7	Extremely High	High	Very High	9
Bolivia	8	Very High	Intermediate	Extremely High	8	Very High	Very High	Intermediate	7
Nigeria	8	Very High	Intermediate	Extremely High	8	Extremely High	Very High	Intermediate	8
Paraguay	8	Very High	High	Very High	8	Very High	Very High	High	8
Sri Lanka	8	Very High	High	Very High	8	Very High	High	High	7
Argentina	8	Extremely High	High	High	8	Very High	High	Very High	8

Table 2

BICRA Economic Risk And Industry Risk Scores And Components (cont.)									
Kazakhstan	8	High	High	Extremely High	8	Extremely High	High	High	8
Slovenia	8	High	Very High	Very High	8	Very High	High	Very High	8
Tunisia	8	Very High	Intermediate	Extremely High	8	Very High	High	Very High	8
Lebanon	8	Extremely High	High	Very High	9	High	High	High	7
Hungary	8	Very High	Very High	Very High	9	Very High	Intermediate	Very High	7
Mongolia	9	High	Extremely High	Very High	9	Extremely High	High	Very High	9
Papua New Guinea	9	Very High	Very High	Very High	9	Very High	High	Very High	8
Vietnam	9	Very High	High	Extremely High	9	Extremely High	Very High	Intermediate	8
Cambodia	9	Extremely High	Intermediate	Extremely High	9	Extremely High	High	Very High	9
Egypt	10	Extremely High	High	Extremely High	10	Very High	High	Very High	8
Greece	10	Very High	Very High	Extremely High	10	High	High	Extremely High	8
Jamaica	10	Extremely High	High	Extremely High	10	High	Very High	Very High	8
Ukraine	10	Very High	Very High	Extremely High	10	Very High	Very High	High	8
Belarus	10	Very High	Very High	Extremely High	10	Extremely High	Very High	Extremely High	10

BICRA--Banking Industry Country Risk Assessment. Source: Standard & Poor's Ratings Services.

Table 3

Government Support Assessment By Region					
Asia-Pacific		CEEMEA		Latin America	
Country	Government support assessment	Country	Government support assessment	Country	Government support assessment
Australia	Highly supportive	Bahrain	Highly supportive*	Bolivia	Supportive
Brunei	Highly supportive	Kuwait	Highly supportive	Brazil	Supportive
China	Highly supportive	Oman	Highly supportive	Chile	Supportive
Hong Kong	Highly supportive	Qatar	Highly supportive	Colombia	Supportive
India	Highly supportive	Saudi Arabia	Highly supportive	Guatemala	Supportive
Indonesia	Highly supportive	United Arab Emirates	Highly supportive	Mexico	Supportive
Japan	Highly supportive	Uzbekistan	Highly supportive	Peru	Supportive
Korea	Highly supportive	Azerbaijan	Supportive	Trinidad and Tobago	Supportive
Malaysia	Highly supportive	Bulgaria	Supportive	Uruguay	Supportive
Philippines	Highly supportive	Croatia	Supportive	Argentina	Uncertain
Singapore	Highly supportive	Czech Republic	Supportive	El Salvador	Uncertain
Taiwan	Highly supportive	Georgia	Supportive	Jamaica	Uncertain
Thailand	Highly supportive	Hungary	Supportive	Panama	Uncertain

Table 3

Government Support Assessment By Region (cont.)					
Vietnam	Highly supportive	Israel	Supportive	Paraguay	Uncertain
Mongolia	Supportive	Kazakhstan	Supportive		
New Zealand	Supportive	Morocco	Supportive		
Sri Lanka	Supportive	Nigeria	Supportive		
Cambodia	Uncertain	Poland	Supportive		
Papua New Guinea	Uncertain	Russia	Supportive		
		Slovakia	Supportive		
		Slovenia	Supportive		
		South Africa	Supportive		
		Turkey	Supportive		
		Belarus	Uncertain		
		Egypt	Uncertain		
		Jordan	Uncertain		
		Lebanon	Uncertain		
		Tunisia	Uncertain		
		Ukraine	Uncertain		
North America			Western Europe		
Country	Government support assessment	Country	Government support assessment		
Bermuda	Supportive	Austria	Supportive		
Canada	Supportive	Belgium	Supportive		
U.S.	Supportive	Denmark	Supportive		
		Finland	Supportive		
		France	Supportive		
		Germany	Supportive		
		Greece	Supportive		
		Ireland	Supportive		
		Italy	Supportive		
		Liechtenstein	Supportive		
		Luxembourg	Supportive		
		Netherlands	Supportive		
		Norway	Supportive		
		Portugal	Supportive		
		Spain	Supportive		
		Sweden	Supportive		
		Switzerland	Supportive		
		U.K.	Supportive		
		Iceland	Uncertain		

*Not applicable for wholesale banks. CEEMEA--Central and Eastern Europe, the Middle East, and Africa. Source: Standard & Poor's.

Table 4

Economic And Industry Risk Trends		
Country	Economic risk trend	Industry risk trend
Argentina	Negative	Negative
Australia	Negative	Stable
Austria	Stable	Negative
Azerbaijan	Stable	Stable
Bahrain	Stable	Positive
Belarus	Stable	Stable
Belgium	Stable	Stable
Bermuda	Negative	Stable
Bolivia	Stable	Stable
Brazil	Stable	Stable
Brunei	Stable	Stable
Bulgaria	Negative	Stable
Cambodia	Stable	Stable
Canada	Negative	Stable
Chile	Stable	Stable
China	Stable	Stable
Colombia	Stable	Stable
Croatia	Stable	Negative
Czech Republic	Negative	Stable
Denmark	Stable	Stable
Egypt	Stable	Negative
El Salvador	Negative	Stable
Finland	Negative	Stable
France	Stable	Stable
Georgia	Stable	Stable
Germany	Negative	Stable
Greece	Stable	Stable
Guatemala	Stable	Stable
Hong Kong	Stable	Stable
Hungary	Stable	Negative
Iceland	Stable	Stable
India	Negative	Stable
Indonesia	Stable	Positive
Ireland	Stable	Stable
Israel	Stable	Stable
Italy	Negative	Stable
Jamaica	Stable	Stable
Japan	Stable	Stable
Jordan	Negative	Stable
Kazakhstan	Stable	Stable
Korea	Stable	Stable

Table 4

Economic And Industry Risk Trends (cont.)		
Kuwait	Stable	Stable
Lebanon	Negative	Negative
Liechtenstein	Stable	Stable
Luxembourg	Stable	Stable
Malaysia	Negative	Stable
Mexico	Stable	Stable
Mongolia	Negative	Stable
Morocco	Negative	Stable
Netherlands	Negative	Stable
New Zealand	Negative	Stable
Nigeria	Stable	Stable
Norway	Negative	Stable
Oman	Stable	Stable
Panama	Stable	Stable
Papua New Guinea	Stable	Stable
Paraguay	Stable	Stable
Peru	Stable	Stable
Philippines	Stable	Stable
Poland	Stable	Stable
Portugal	Stable	Stable
Qatar	Stable	Stable
Russia	Negative	Negative
Saudi Arabia	Stable	Stable
Singapore	Stable	Stable
Slovakia	Stable	Stable
Slovenia	Stable	Positive
South Africa	Stable	Stable
Spain	Positive	Stable
Sri Lanka	Stable	Stable
Sweden	Stable	Stable
Switzerland	Negative	Stable
Taiwan	Stable	Stable
Thailand	Stable	Stable
Trinidad and Tobago	Stable	Stable
Tunisia	Negative	Negative
Turkey	Negative	Stable
U.K.	Stable	Stable
U.S.	Stable	Positive
Ukraine	Stable	Negative
United Arab Emirates	Positive	Stable
Uruguay	Stable	Stable
Uzbekistan	Stable	Stable

Table 4

Economic And Industry Risk Trends (cont.)		
Vietnam	Stable	Stable

Source: Standard & Poor's Ratings Services.

Related Criteria And Research

For a fuller understanding of our revised framework for rating banks, including the BICRA methodology, the bank criteria, and other relevant publications, please see the following articles published on RatingsDirect.

Related criteria

- Sovereign Government Rating Methodology And Assumptions, June 24, 2013
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011

Related research

- Banking Risks Are Slowly Receding In Much Of The World, But Watch Out For The Hot Spots, Oct. 2, 2013
- S&P To Publish Economic And Industry Risk Trends For Banks, March 12, 2013
- Analytical Linkages Between Sovereign And Bank Ratings, Dec. 6, 2011
- S&P's BICRAs Measure Banking Risks For 86 Countries, Nov. 9, 2011
- The Evolving Landscape For Banks Requires A Robust Analytical Framework, Nov. 1, 2011

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