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Standard & Poor's BICRAs Highlight The Shifting Balance In Global Banking

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Standard & Poor's BICRAs Highlight The Shifting Balance In Global Banking

Banking sectors across the globe still face trying times in the aftermath of the financial crisis. In this context, Standard & Poor's Ratings Services has reviewed its Banking Industry Country Risk Assessments (BICRAs) for 86 countries using its updated BICRA criteria.

We believe the risk of downward changes to our BICRAs presently outweighs the possibilities for upward revisions. This is true for both mature and emerging economies. Key contributing factors include widespread concern about European sovereign debt, as well as the increased risk of a double-dip recession in Europe. Troubled funding markets and the future exit strategies of central banks and governments may also have an impact on banking sectors. Added to this is the potential for rising economic imbalances in emerging markets.

Overview

- Our assessment of global banking industries shows a narrowing of the gaps between regions in terms of risk levels.
- Despite increased risks in Western Europe and North America, the banking systems there still appear stronger than those in other regions.
- In the very diverse Asia-Pacific region, the risks to banking industries have remained largely stable.
- On the other hand, the risks for Latin American banks are generally lower, but still appear high.
- Countries in CEEMEA (Central and Eastern Europe, the Middle East, and Africa) still feature at the higher end of our BICRA risk scale.

We have assessed national banking industries for several years as part of our approach to rating banks. Our BICRA criteria enable an evaluation of individual banking systems and produce scores that classify systems into one of 10 groups. BICRA group '1' indicates what we view as the lowest-risk systems and group '10' the highest-risk (see "Banking Industry Country Risk Assessment Methodology And Assumptions," published on Nov. 9, 2011, on RatingsDirect). The overall score that determines the BICRA group stems from our assessment of economic risk and industry risk, the two main elements of the BICRA. We have published the BICRAs resulting from our review in "S&P's BICRAs Measure Banking Risks For 86 Countries," on Nov. 9, 2011, and have reproduced the scores in the appendix to this article.

The results of our review highlight the increased risks for some banking systems since we first published BICRAs in 2006. In our view, banks in Western Europe and North America are more vulnerable, mainly because of the continued repercussions of financial market turmoil and, in the case of Europe, sovereign distress. From this perspective, the heightening of banking industry risks in GIIPS (Greece, Ireland, Italy, Portugal, and Spain) is important. By comparison, we believe that banking industry risks have stayed relatively stable in Central and Eastern Europe, the Middle East, and Africa (together, CEEMEA), as well as in Asia-Pacific. In our view, the risks to the Latin American banking sectors have subsided somewhat, chiefly owing to stronger economic fundamentals that also led us to raise our ratings on countries like Brazil, Chile, and Peru.

When we compare the GDP-weighted average BICRA scores for all five regions, Western Europe and North

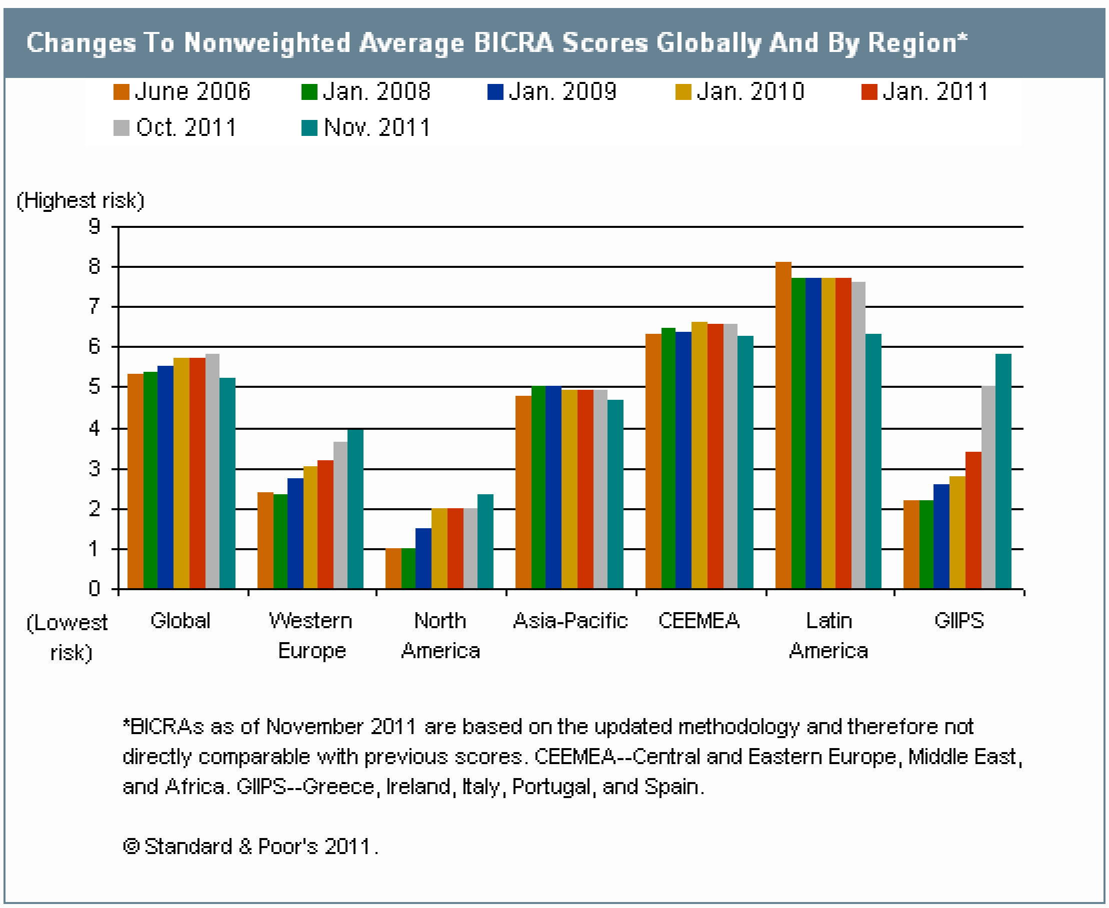
America still appear stronger than the other three. Asia-Pacific occupies the middle position, Latin America is the second weakest, and CEEMEA is the region we view with the highest risk. However, we see a wide disparity among the BICRA scores for individual countries within most regions. Overall, the strong scores for Western Europe reflect our view of relatively lower risk in the region's largest economies, Germany and France.

We are publishing our BICRAs for all 86 banking systems on Nov. 9, 2011. Full BICRA reports will be published gradually, with all expected to be completed in 2012.

A Changing BICRA Landscape

The risks for global banking are generally increasing. Yet, over the past five years, the gaps separating BICRA scores among regions have narrowed. The transitions reflect our view of how banking systems have changed. We note several important underlying shifts at the regional level. For example, our nonweighted average regional BICRA assessments for Western Europe and North America show substantial deterioration since 2006 (see chart 1). In Western Europe, much of the deterioration stems from Greece, Ireland, Italy, Portugal, and Spain (so-called GIIPS). By contrast, the average BICRA scores for Asia-Pacific and CEEMEA have remained largely stable, and those for Latin America have improved.

Chart 1



In Western Europe and North America, the deterioration of our BICRA scores reflects several developments. In both regions, high loan growth led to the buildup of real estate bubbles that have since burst. In addition, some countries have had to cope with sizable current account imbalances that have since reversed. The decline in sovereign creditworthiness that typically follows a financial crisis is still a key concern in Western Europe. It remains to be seen whether the European Council's measures will be able to stave off a further drop in sovereign credit quality in the eurozone. We believe the path to recovery could be a long one. The same applies to the U.S., which continues to labor under high joblessness and a fragile housing market.

By contrast, our BICRA scores for Asia-Pacific and CEEMEA have remained largely stable and those for Latin America have improved compared with five years ago. The effects of the global financial crisis and recession were less severe in these regions, with the exception of Central and Eastern Europe and some countries in the Commonwealth of Independent States (CIS), and economic growth has held up relatively well. Nonetheless, many banking systems in Latin America, CEEMEA, and Asia-Pacific are still constrained by relatively weak financial infrastructure, institutional and legal frameworks, underwriting standards, payment cultures, and rules of law. These factors contribute to our assessment of these systems as relatively higher risk.

We are not optimistic about an overall reduction in future risks to global banking systems. Renewed economic recession, a real possibility worldwide, or substantial turbulence in financial markets would have negative consequences for all banking sectors. We note, for instance, that the Chinese banking system has experienced rapid credit growth in recent years. Developments there will therefore serve as an important barometer for the global industry, given the system's size and links with other regions.

Why We Updated The BICRA Methodology

The revisions to our BICRA criteria are intended to make them more robust and forward-looking. The updated criteria draw on information derived from the significant turbulence in banking systems over the past four years. The changes aim to better capture evolving economic and systemwide risks at an earlier stage in the economic cycle. In particular, the updated criteria give more weight to the appraisal of economic imbalances and the risks related to systemwide funding.

In addition, our updated bank rating methodology places more emphasis on our BICRAs. The updated bank rating criteria use the economic and industry risk scores from the BICRA analysis to set an anchor or starting point for determining a bank's stand-alone credit profile (see "Banks: Rating Methodology And Assumptions," published Nov. 9, 2011). Using the BICRA methodology enhances the forward-looking nature of our bank ratings.

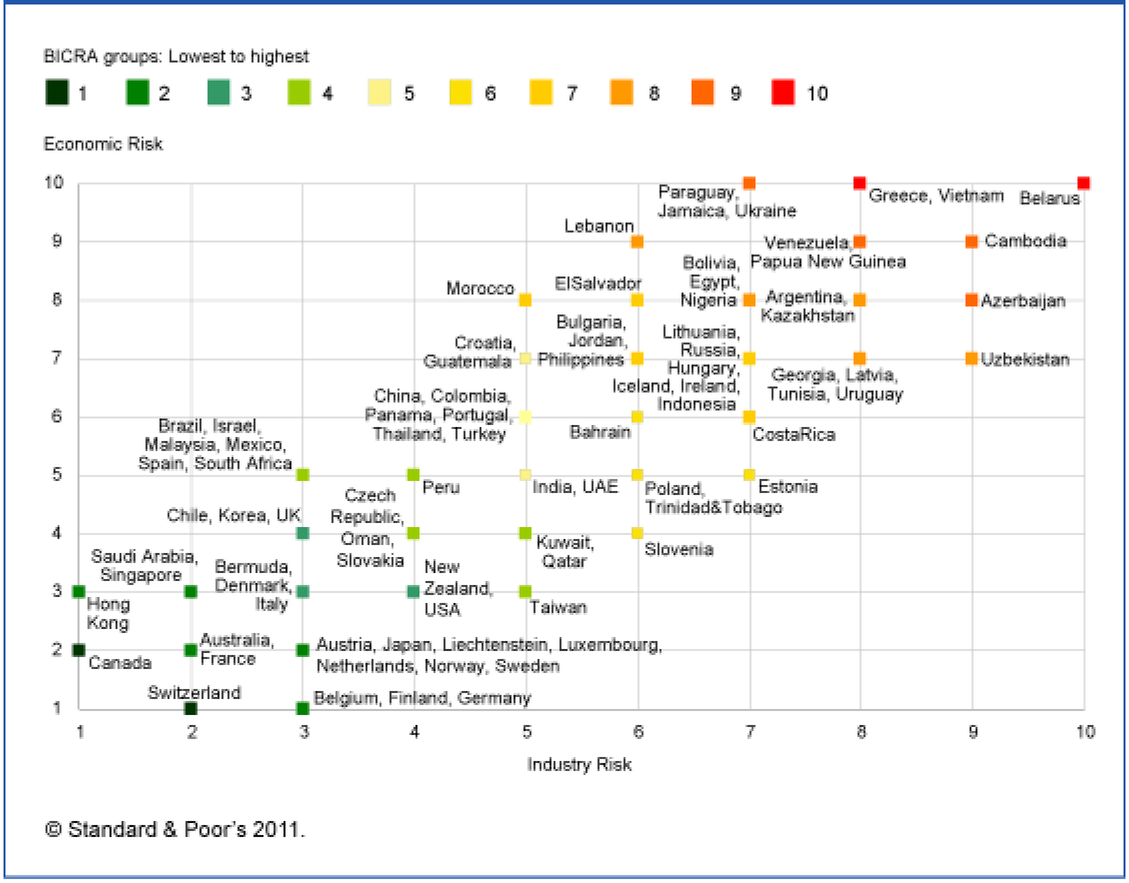
The BICRA methodology enables our evaluation and comparison of banking systems across the globe. A BICRA is an assessment of the risks that banks operating in a particular country face, relative to banks in other countries. Because a BICRA focuses on the domestic economy and banking industry, it does not capture all the risks that banks may face. Risks outside the scope of individual BICRAs include those associated with cross-border operations, which would fall under the rating analysis of individual banks.

A Tour Around The BICRA Globe

Our review of economic risk and industry risk places each of the 86 banking systems we have evaluated into one of the 10 BICRA groups (see chart 2).

Chart 2

BICRA, Economic, And Industry Risk Scores For All 86 Countries



Our relative regional ranking reflects weighted average BICRA scores, based on the respective share of nominal GDP (see table 1).

Table 1

Weighted Average BICRA Scores Globally And By Region*

	Global	Western Europe	North America	Asia-Pacific	Latin America	CEEMEA
BICRA	3.5	2.7	2.8	3.8	4.7	5.7
Economic risk	3.8	2.7	2.9	4.2	5.6	6.1
Industry risk	3.8	3.0	3.7	4.1	4.0	5.6

*Weighted by the share of nominal GDP in U.S. dollars (for both global and regional GDP, we used the total GDP of the countries for which we assign a BICRA). BICRA, economic risk, and industry risk scores are on a scale from 1 (lowest risk) to 10 (highest risk). CEEMEA--Central and Eastern Europe, the Middle East, and Africa.

The global weighted average BICRA score is 3.5, which is much lower than the nonweighted average BICRA score of 5.2 (see table 2). The reason for this is that the aggregate size of banking systems in Western Europe, North America, and Asia-Pacific represents more than 80% of the total weight. In particular, countries in Western Europe and North America tend to benefit from high income levels, economic diversity, generally more stable institutions and frameworks, and better access to domestic and external funding markets, which lend support to our BICRAs for these regions.

Whereas the main focus of this global comparison is on GDP weighted averages, the nonweighted average BICRA scores provide an alternative picture. The nonweighted average overall BICRA score of 5.2 for the 86 systems indicates much higher risk than the weighted average score of 3.5. Overall, the global nonweighted average BICRA scores, as well as the component scores for economic and industry risks, are between 5 and 6, which demonstrate that they are relative risk assessments.

Table 2

Nonweighted Average BICRA Scores Globally And By Region*

	Global	Western Europe	North America	Asia-Pacific	Latin America	CEEMEA*
BICRA	5.2	3.8	2.3	4.9	6.3	6.2
Economic risk	5.4	3.7	2.7	5.3	6.8	6.3
Industry risk	5.1	4.2	2.7	4.8	5.8	6.0

*BICRA, economic risk, and industry risk scores are on a scale from 1 (lowest risk) to 10 (highest risk). CEEMEA--Central and Eastern Europe, the Middle East, and Africa.

The overall weighted average BICRA scores represent the compilation of scores under six factors (see table 3). To assess economic risk, we evaluate a country's "economic resilience", "economic imbalances", and "credit risk in the economy", as our criteria define these terms. Our analysis of industry risk encompasses the "institutional framework", "competitive dynamics", and "systemwide funding".

Table 3

Weighted Average BICRA Factor Scores: Globally And By Region*

	Global	Western Europe	North America	Asia-Pacific	Latin America	CEEMEA*
Economic risk factors						
Economic resilience	2.2	1.6	1.0	2.8	4.2	3.7
Economic imbalances	2.6	2.4	2.9	2.5	2.2	3.3
Credit risk	3.1	2.6	2.9	3.2	4.1	4.2
Industry risk factors						
Institutional framework	3.1	2.8	2.8	3.4	3.4	3.9
Competitive dynamics	3.2	2.5	3.7	3.4	2.5	3.4
Systemwide funding	1.8	2.1	1.1	1.4	3.0	3.5

*Weighted by the share of nominal GDP in U.S. dollars (for both global and regional GDP, we used the total GDP of the countries for which we assign a BICRA). The six BICRA factors are scored on a scale from 1 (very low risk) to 6 (extremely high risk). A score of 3 represents intermediate risk. CEEMEA--Central and Eastern Europe, the Middle East, and Africa.

Western Europe comes out as the strongest region, with a weighted average overall BICRA score of 2.7. The reason for this is the low economic and industry risk scores for the two largest economies, Germany and France (see Appendix). Together, these countries contribute 36% of the region's aggregate GDP (both are in BICRA group '2'). Certain Western European countries are currently under considerable pressure, such as Greece, Ireland, Iceland, and the three Baltic countries (ranging from BICRA groups '6' to '10'). These economies are small and therefore have little impact on the weighted averages. This notwithstanding, we view the impact that weak countries within the Economic and Monetary Union may have on the entire eurozone as important to our analyses.

With a weighted average overall BICRA score of 2.8, North America is almost as strong as Western Europe. This score reflects the dominance of the U.S., which represents 90% of the region's GDP.

Asia-Pacific, with a weighted average BICRA score of 3.8, occupies the middle position of the five regions. This region displays the widest disparity in economic and industry risk profiles. The regional score reflects the importance of Japan, China, and to a lesser extent India, which together account for 74% of the region's GDP. In Japan, which is in BICRA group '2', sluggish growth and deleveraging have prevented the buildup of particularly high risk factors. On the other hand, China, in group '5' with India, hosts--in our opinion--a number of high risk factors relating to economic and industry risks, including a substantial increase in credit and property prices.

The weighted average BICRA score of 4.7 for Latin America shows the economic importance of Brazil and Mexico. Together, these countries represent 67% of the region's GDP. Both are in BICRA group '4', and we consider their banking industries to be relatively low risk. Most other countries in the region are in BICRA groups '5' to '9'. We assess economic risk in Latin America to be significantly higher than industry risk. This is mainly because of low GDPs per capita (which typically result in weaker economic resilience) and higher credit risk based on limited debt capacity and weak underwriting standards and payment cultures.

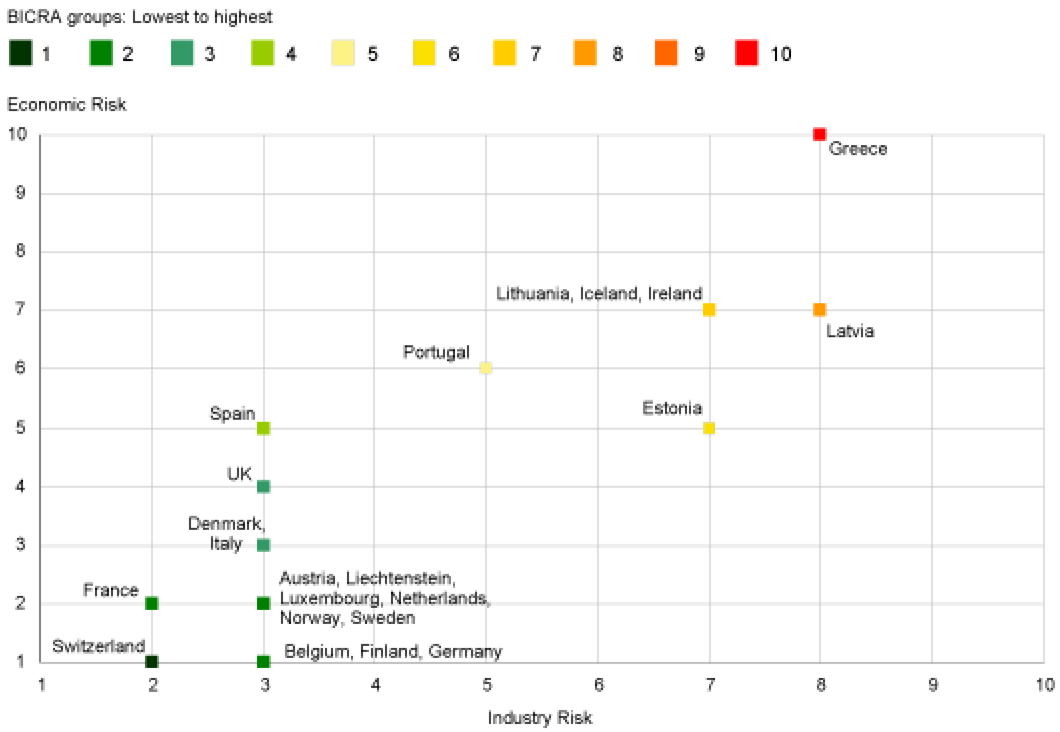
CEEMEA's weighted average BICRA score of 5.7 shows it to be the highest-risk region. Countries in CEEMEA are in very different stages of development, most of them emerging markets. Russia (BICRA group '7') and Turkey (BICRA group '5') are the largest, together making up 38% of the region's GDP. We regard economic risk in CEEMEA as the highest across the regions. This is because many countries in CEEMEA have relatively low income levels, high political risk, as well as lower underwriting standards and lax payment cultures that exacerbate credit risk, one of the factors in our assessment of economic risk. Institutional frameworks are often weak and underdeveloped and competitive dynamics and funding models relatively higher risk. Because of the diversity within the region, however, there are a number of exceptions to these general characteristics.

Western Europe: Relatively Low Risk, But Significant Threats Remain

The distribution of BICRA groups in Western Europe reflects the diverging economic and industry risk scores. The relatively low risk profiles of countries like Germany, France, Belgium, and Switzerland contrast with much higher risk on the periphery, in countries like Portugal, Ireland, Iceland, and Greece (see chart 3).

Chart 3

BICRA, Economic, And Industry Risk Scores For Western Europe



Western European countries with low economic risk scores of '1' or '2' typically benefit from sound public finances, high sovereign creditworthiness (with sovereign ratings of 'AA+' or higher), and a GDP per capita of $40,000 or higher. They also tend to have relatively low unemployment rates (less than 9%), high and sustainable current account surpluses, and manageable loan losses through the economic cycle. What's more, their medium-term economic prospects generally appear solid.

Countries in Western Europe with economic risk scores ranging from '3' to '6' display higher levels of "economic imbalances" and "credit risk in the economy". Many of them, for example, Spain, Portugal, and Estonia, are still recovering from the aftereffects of collapsed credit and housing bubbles. This makes them vulnerable to renewed economic weakness and sovereign risk. Nevertheless, the economic risk is far from uniform, with Ireland and Spain worse affected than the U.K.

Under our assessment of economic risk, we gauge "credit risk in the economy" to be either "very low risk" or "low risk" for eight of the 22 countries we reviewed. Finland, France, Germany, and Switzerland are among those eight countries. The reasons include a moderate ratio of debt to income and relatively healthy corporate and household sectors. Another eight countries were classified as showing "intermediate risk" for this factor because of higher provisioning, including the U.K., Spain, Portugal, and Italy. At the riskier end, Ireland is still in the process of absorbing previous excesses in the real estate sector, and Greece remains burdened by its sovereign debt.

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The industry risk score for individual countries tends to be one or two notches weaker than the economic risk score. In particular, we believe the "institutional framework"--one of the three factors we assess under industry risk--remains a relative weakness for some Western European systems. In our opinion, the regulatory track record of several countries was patchy during the global financial crisis and revealed inadequacies in the supervisory framework. We anticipate, however, that governance and supervision will tighten in due course, spurred by more harmonized global and EU-wide enforcement. Nevertheless, we remain unconvinced that these improvements will prevent a future banking crisis.

Under industry risk, we assess "competitive dynamics" in Western Europe as largely "low risk" and "intermediate risk", with the three Baltic countries in the higher risk categories. This reflects our view of the banking systems' generally moderate risk appetite and limited potential for growth amid ongoing deleveraging. The region's banks have dim profitability prospects, in our view, owing to revenue losses from muted economic growth, derisking of portfolios, and higher costs to comply with stricter regulation and to raise cross-border funding.

Our view on "systemwide funding" risk in Western Europe is mixed. We believe that the market uncertainties remain high, against the backdrop of the ongoing sovereign debt distress. These uncertainties are, however, largely mitigated by liquidity support from the European Central Bank and the EU institutions' steps to provide funding guarantees for banks. Many of the Western European systems that we classify as "very low risk" or "low risk" have relatively stable deposit bases and access to reliable alternative funding sources, including covered bonds. By contrast, sovereign financial stress and poor funding metrics explain assessments at the higher end of the risk scale for some countries. This is particularly true for Greece and--to a lesser extent--Iceland, Ireland, and Portugal.

We still believe that a concerted and credible political, regulatory, and institutional response is crucial to restoring market confidence.

North America: Relatively Low Risk, Amid Ongoing Uncertainties

The overall BICRA scores for the three banking systems in North America reflect our assessment of relatively low risk in the region. Canada is in BICRA group '1', whereas Bermuda and the U.S. are in group '3'. Of the two larger systems, the U.S. has undergone significant financial stress, whereas Canada is in our view ahead of its global peers in managing banking sector stress.

Our economic risk score of '2' for Canada is lower than that for the U.S., which received a score of '3'. In evaluating economic risk, we found both countries' "economic resilience" to be "very low risk" because of their diverse, flexible, and competitive economies. Both enjoy substantial monetary policy flexibility, bolstered in the case of the U.S., by the dollar's standing as the world's most used currency. However, we believe the U.S.' steadily deteriorating public finances could jeopardize its fiscal profile.

In addition, we assess Canada's "economic imbalances" as "low risk". Canada has remained largely insulated from the global financial crisis, although it recorded a mini recession in 2008 and 2009. The country could be vulnerable to another slowdown in our view. Canada recovered quickly from the previous slight downturn and households piled on more debt as the central bank lowered interest rates to support the economy. Record high household debt levels have prompted regulatory tightening of mortgage underwriting standards.

Unlike Canada, the U.S. is in the advanced stages of a "correction phase", during which an economy shows signs that previous economic imbalances are reversing. This reflects the impact of the longest recession in the U.S. in 80 years, which was accompanied by sharp drops in property values. Recovery is under way, but progress remains slow and uneven. A stubbornly high jobless rate and growing weakness among European trading partners suggest new constraints for growth in the U.S. Since 2008, the U.S. banking system has recorded credit losses exceeding $550 billion, so we expect subsequent losses to be lower over the next two to three years, absent a double-dip recession. We believe the high level of historical credit losses reflects, among other things, higher leverage and looser underwriting standards before 2008.

Our industry risk scores show a similar lead for Canada, which received a score of '1' compared with the U.S., which received a score of '4'. One reason for this is our view of the "institutional framework". Canada's supervisory record has been impressive in terms of its ability to preemptively steer banks clear of a systemic crisis, and it has not recorded a bank failure since the mid-1980s. By contrast, the U.S. has a blemished supervisory track record and faces considerable regulatory challenges. The financial crisis brought several failings to light, and the U.S. authorities have initiated an ambitious overhaul of its regulatory framework, passing the Dodd-Frank Act in 2010. The details and probable impact of this Act are still uncertain.

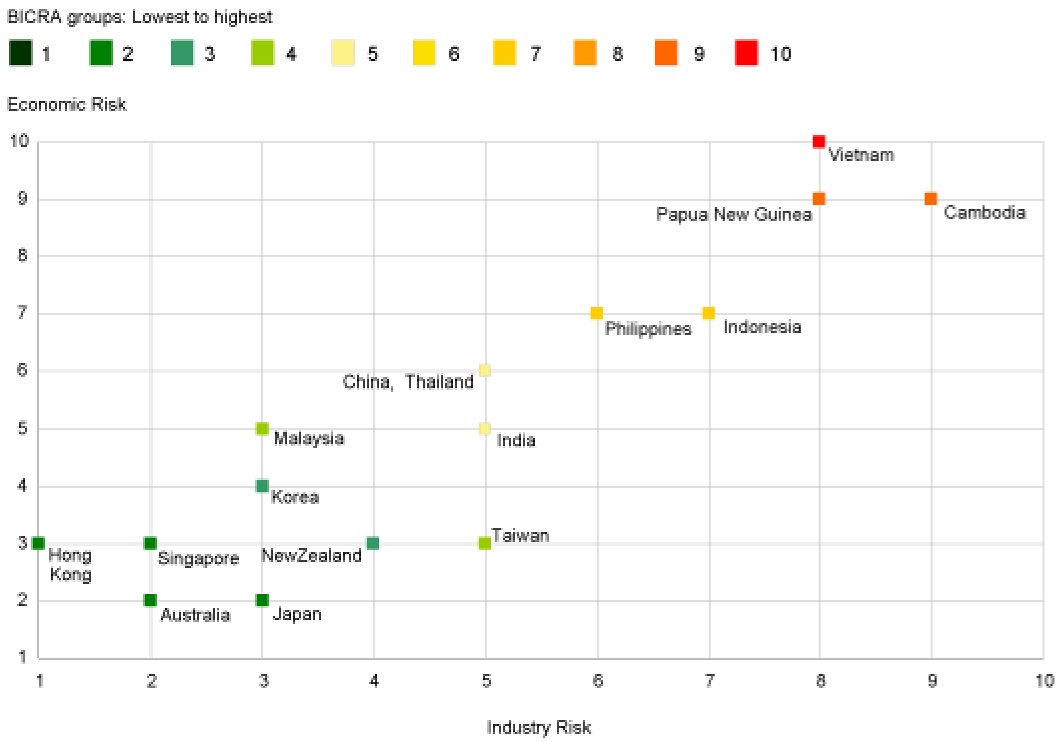
We assess the "competitive dynamics" for banks in the U.S. as "high risk" in light of the system's open and dynamic structure, which attracts numerous domestic and foreign bank and nonbank competitors. This promotes efficiency and innovation, but also promotes aggressive competition that amplifies the highs and lows of credit cycles. In addition, although the U.S.' deep capital markets and relatively complex financial system benefit "systemwide funding", they pose higher risks to "competitive dynamics" in the banking system. By contrast, nonbanks in Canada play a circumscribed role, with the banking sector dominating financial intermediation.

Asia-Pacific: Generally Strong Economic Prospects As Well As Threats To Developing Systems

In Asia-Pacific, our economic and industry risk scores and the resulting BICRA groups are widely dispersed across the region (see chart 4). This reflects our view of the varying stages of economic and institutional development within the region.

Chart 4

BICRA, Economic, And Industry Risk Scores For Asia-Pacific



The distribution of economic risk scores in Asia-Pacific broadly aligns with the level of economic development in the 16 systems we reviewed. Under the "economic resilience" factor, we scored Australia, Hong Kong, Japan, and Singapore as either "very low risk" or "low risk", reflecting their high income levels and resilient economies. At the opposite end, we assessed countries such as Papua New Guinea, the Philippines, and Vietnam as "very high risk" and Cambodia as "extremely high risk", reflecting these economies' earlier stage of development, narrower economic structures, and greater exposure to economic volatility.

The majority of economies in Asia-Pacific are significantly less exposed to "economic imbalances" than countries in other regions. Consequently, we assessed nine of the 16 systems we reviewed as "low risk" or "very low risk" under this factor. Many of these systems benefit from several years of low or moderate growth in credit and asset prices. This mitigates the risk of a sudden, sharp drop in asset prices that could cause asset-quality problems for banking systems in the region. Five systems were assessed as "high risk" or worse. The assessment of "high risk" for China and Hong Kong stems from a rapid rise in private-sector credit and asset prices in recent years, despite sizable current account surpluses.

We assess "credit risk in the economy" as "low risk" for five banking systems, "intermediate risk" for one system, and "high risk" or worse for 10 systems. For some of the systems we classified as "low risk" (such as Singapore and Hong Kong), we note that previous declines in asset prices had a relatively insignificant impact. For systems assessed as "high risk" or worse, key constraints include moderate to high private-sector debt relative to income, or significant weaknesses in the payment culture and rule of law, which could result in low or delayed recoveries for creditors and a residual overhang of nonperforming assets. For example, banking systems in Thailand and the Philippines still carry some legacy nonperforming assets from the Asian financial crisis.

Although in terms of economic risk, Vietnam is in the "highest risk" category, we believe China represents the most significant future risk in Asia-Pacific. This is owing to the combination of China's "high risk" of "economic imbalances" and "high risk" of "credit risk in the economy", given its sizable economy and connections within the region and the globe.

The distribution of industry risk scores in Asia-Pacific is broadly similar to that for economic risk. Our assessment of "institutional framework" reflects a regional dichotomy. On the one hand, systems like Australia, Hong Kong, and Singapore are among a handful of systems to be classified as "very low risk". This reflects more conservative regulatory standards than observed globally, comprehensive regulatory coverage, and a strong record of averting banking-sector problems. Additionally, we consider governance and transparency in these systems to be of a very high standard. On the other hand, half of the systems in the region have classifications of "high risk" or worse for "institutional framework", reflecting our assessment of insufficiently robust regulatory frameworks, weak regulatory track records, or limited governance and transparency standards.

Our assessment of "competitive dynamics" in Asia-Pacific shows a concentration toward the higher risk categories. Eight of the 16 systems reviewed show "very high risk" or "extremely high risk", taking into account important government ownership, significant directed lending, or administrative controls in countries such as China, India, Indonesia, Thailand, and Vietnam. Although we observe a minimal amount of targeted high-risk lending, we believe periods of rapid credit expansion could cause moderate to aggressive risk appetites. In contrast, we assess "competitive dynamics" in the Australian banking system as "very low risk" because we see minimal market distortions, little government intervention, and a history of stable earnings.

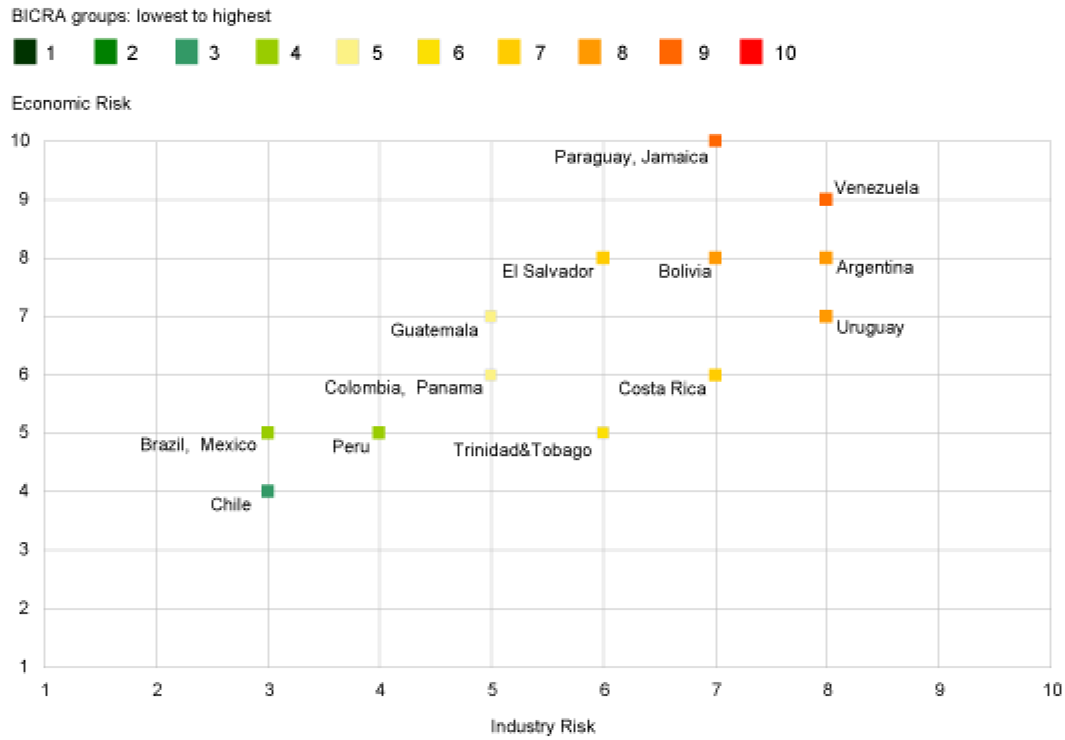
We believe "systemwide funding" is an area of relative strength for the region, and we assess 10 of the 16 systems as "very low risk" or "low risk". One reason for this is the region's high domestic savings rate, which exceeds 30% of GDP in a number of countries. This is an important contributor to the relatively stable deposit bases that reduce the need for external funding. Two notable exceptions to this general trend are Australia, which we evaluate as "intermediate risk", and New Zealand, which shows "high risk". Persistent and significant current account deficits--fuelled by lower savings relative to investment demand and consumption--mean these two countries show the lowest level of customer deposits and the greatest dependence on net external borrowings in the region. Nevertheless, we believe these risks are partly mitigated by factors such as supportive central banks, access to sizable domestic debt capital markets (Australia), and support from parent groups (for New Zealand banks). We assess Cambodia and Papua New Guinea as "very high risk", factoring in a history of deposit runs (Cambodia) and highly limited access to alternative funding sources (Papua New Guinea).

Latin America: Low Income Levels Exacerbate Banking Sector Risks

Our BICRAs on 16 systems in Latin America show a fairly wide dispersion among groups '3' to '10' (see chart 5). At the top end is Chile (group '3') which benefits from a more stable and resilient economic environment. The regional heavyweights by size--Brazil and Mexico--are in BICRA group '4'. Toward the lower end of the scale in group '9' are systems like Jamaica, Paraguay, and Venezuela, which we consider to have more vulnerable economies and relatively poor risk management.

Chart 5

BICRA, Economic, And Industry Risk Scores For Latin America



Economic risk has emerged as a relative weakness for the majority of Latin American countries we reviewed. The best economic risk assessment is '4'. This partly reflects our view of the region's limitations vis-à-vis "economic resilience", as a result of low incomes and per capita GDP, slower regional growth, limited diversification and fiscal flexibility in certain systems, high inflation rates, and political risk in the weakest economies.

Under economic risk, the assessments of "economic imbalances" are mixed. We classify six countries as "very low risk" or "low risk": Mexico, Peru, El Salvador, Costa Rica, Brazil, and Bolivia, whose credit growth has been moderate. Even where credit growth has accelerated, as in Brazil, we believe the banking system's exposure to asset-price bubbles and equity market appreciation remains moderate, given the low share of residential loans and modest equity trading activities. Nevertheless, we classify eight systems as "intermediate risk" or "high risk" because of residential real estate price acceleration--in systems like Guatemala, Paraguay, Venezuela, and Jamaica--or commercial real estate exposure, in countries like Panama and Trinidad and Tobago.

Our assessment of "credit risk in the economy" shows a concentration in the "high risk" and "very high risk" categories. This reflects the region's constraints in terms of debt capacity and sizable foreign-currency lending in El Salvador, Guatemala, Peru, Paraguay, Uruguay, and Bolivia. Another feature is high exposure to cyclical sectors such as commodities. In our opinion, with the exception of Chile, Costa Rica, Panama, and Trinidad and Tobago, weak payment capacity, and a lack of respect for the rule of law are common factors adversely affecting the region.

Unlike economic risk, the distribution of industry risk scores shows greater concentration at the lower end of the scale. We view Chile and Peru as strongest in the region in terms of "institutional framework". Both countries, in our view, have conservative regulatory and supervision standards and have reduced banks' vulnerability to financial crises. By contrast, many systems in the region are much weaker, with eight of them assessed as "high risk". We see supervisory gaps in Colombia, Costa Rica, El Salvador, Guatemala, Jamaica, Panama, Paraguay, and Trinidad and Tobago, owing to what we regard as rudimentary regulatory frameworks and noncompliance with Basel II guidelines. Venezuela, in our view, has the weakest "institutional framework" because of what we see as extensive political influence on regulators and supervisors' apparent lack of authority.

Twelve Latin American banking systems show features of "intermediate" or "high risk" regarding "competitive dynamics". In our view, those systems with "intermediate risk" in "competitive dynamics" have relatively low risk appetites and stable industry structures dominated by two or three banks. In addition, they chiefly offer standard products and there are little or no market distortions. In the "high risk" or "extremely high risk" systems, market distortions played a significant role in our assessment. In Jamaica, for example, a fluid economic and political situation threatens industry stability. Additionally, Costa Rica's system has a significant proportion of government-owned banks, and Venezuela features extensive administrative controls over deposit and lending rates and material government-directed lending.

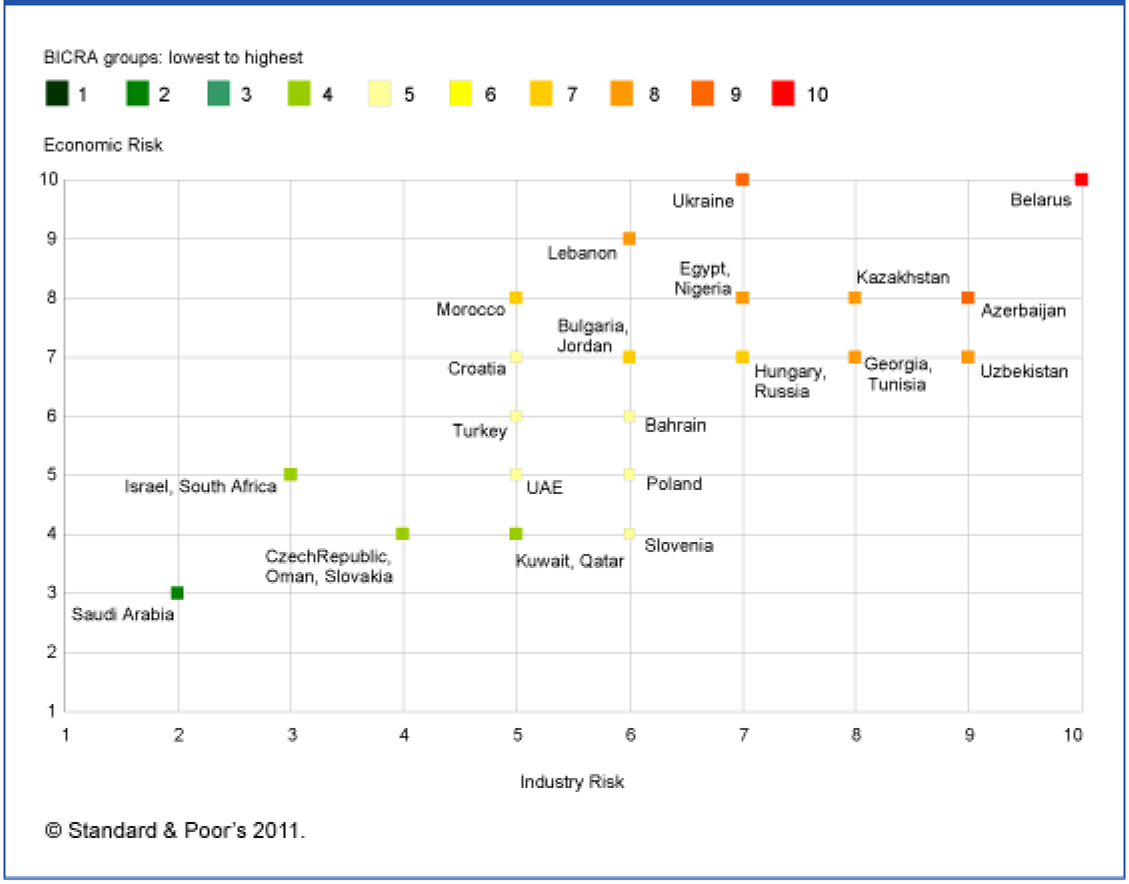
With regard to "systemwide funding", two systems were assessed as "low risk" and seven "intermediate risk". Most Latin American banking systems use stable core customer deposits as the main funding source, and their dependence on external funding is generally low. The exception is Argentina, where we view the deposit base as unstable and the likelihood of deposit runs to be fairly high, based on previous observations. These factors increase these two countries' funding risks. The larger markets--such as Brazil and Mexico--also benefit from the availability of funding in domestic capital markets. For countries that we categorize as "high risk", "very high risk", or "extremely high risk", the absence or deficiencies of domestic capital markets as an additional funding source is a constraint. Much of the funding in Latin America is short term. Banks' inability to borrow at longer terms results in maturity mismatches and hinders the development of a residential mortgage market.

Central And Eastern Europe, The Middle East, And Africa: Banking Sector Risks Are Broadly Unchanged

The scattering of BICRA groups in Central and Eastern Europe, the Middle East, and Africa (CEEMEA) highlights the diverse nature of this region (see chart 6). Some countries--notably Kazakhstan and Ukraine--have experienced severe banking crises over the past three years and are currently in the process of restructuring. At the other end of the spectrum, we believe Saudi Arabia benefits from a stable and resilient economic environment, a good track record of effective supervision, a protected franchise, and abundant core customer deposits.

Chart 6

BICRA, Economic, And Industry Risk Scores For CEEMEA



Our assessment of economic risk in CEEMEA resulted in 22 of the 29 countries reviewed receiving scores of '5' or lower. For the "economic resilience" factor, we classified the United Arab Emirates (UAE), Qatar, Kuwait, and Slovenia as "low risk". For the first three countries, we base this evaluation on high wealth from oil and gas revenues, strong net foreign asset positions, and substantial fiscal flexibility that allows stronger policies to support their banking sectors. We assess Slovenia's "economic resilience" as "low risk" because we see relatively high income levels and good medium-term growth prospects. The key reasons for assessing six countries' "economic resilience" as "intermediate risk" include competitive export-oriented economies with flexible and skilled labor. These countries are mainly in Central and Eastern Europe. By contrast, we assessed 19 banking systems, mainly in the CIS (including Russia) and the Arab-Mediterranean countries, as "high risk" or "very high risk". The reasons include lower GDP per capita levels and growth prospects, narrow economies, uncompetitive domestic companies, or banks' exposure to cyclical sectors such as agriculture, tourism, and real estate. Political risk also remains a constraint in some systems, notably in Israel and Lebanon.

Only Saudi Arabia, Oman, and Jordan were assessed as "low risk" in terms of "economic imbalances". The classification for 13 countries is "intermediate risk", reflecting moderate growth of house prices and domestic credit or relatively low leverage. We note that countries like Bulgaria, Hungary, Slovak Republic, or Slovenia are in a correction phase after a buildup of imbalances over the past decade and the effects of the financial crisis and recession. Ten countries received assessments of "high risk", owing for example to high external debt and heavy dependence on portfolio inflows (Turkey), the stronger impact of contraction after several years of strong credit growth (Hungary, Bulgaria, and Croatia), or the overhang from a correction in the property sector (UAE). Our evaluation of Ukraine's banking system as "very high risk" and Belarus' as "extremely high risk" stems from our view that the current correction phase in these countries will lead to severe credit losses.

For "credit risk in the economy", we categorized nine banking systems in CEEMEA as "high risk" and 10 as "very high risk". Among these systems, common limitations include a weak payment culture and legal infrastructure, rather high single-name lending concentrations, and the relatively poor creditworthiness of private-sector companies. Within Central and Eastern Europe, weaknesses include a high share of foreign-currency denominated mortgages and high exposure to construction and commercial real estate. Lebanon shows "extremely high risk" for this factor because of banks' sizable exposure to their highly indebted sovereign. By contrast, Turkey and South Africa are among the five countries we assessed as "intermediate risk". For Turkey, this reflects relatively low leverage in the household and corporate sectors and, in South Africa, a slow recovery in asset quality.

For industry risk, our scores range from a low '2' for Saudi Arabia to the highest score of '10' for Belarus. We regard Saudi Arabia and South Africa as "low risk" in terms of "institutional framework", reflecting our view of prudent regulation and supervision and a strong track record in managing their banking systems. Eight systems display "intermediate risk" and 18 are split equally among the "high risk" and "very high risk" categories. Turkey's "intermediate risk" classification reflects our assessment of substantial improvements in regulatory standards and governance practices since its 2001 crisis. "Intermediate risk" also applies to Bahrain, Oman, and Qatar, whose regulators we believe have been able to instill market discipline, but are challenged to limit the risks from rapid lending growth. Of the "high risk" countries, Croatia, Bulgaria, Hungary, and Slovenia, this assessment primarily reflects our view of regulators' weak track record in limiting risks from imbalances built up over the past decade. Most of the systems within CIS, including Russia, are in the "very high risk" category because we see banking supervision as poorly executed and subject to government influence and transparency concerning financial information and governance as relatively weak.

Saudi Arabia and South Africa spearhead the CEEMEA region with "low risk" in "competitive dynamics". South Africa's highly concentrated banking system means it faces minimal threats from new entrants. However, 12 countries in this region show "intermediate risk" and 11 "high risk" for this factor. Our assessment of "intermediate risk" largely reflects a moderate level of competition and generally adequate industry stability. In particular, we assess Turkey's and Israel's "competitive dynamics" as "intermediate risk" owing to their relatively stable market structures and moderate risk appetites. "High risk" in "competitive dynamics" emanates, in our view, from fragmented banking systems (some Arab-Mediterranean countries) or the significant presence of state-owned banks, particularly regarding the acceptance of deposits (Russia). We assess Azerbaijan, Belarus, Uzbekistan, and Nigeria as "very high risk" because of significant market distortions or low industry stability.

Our evaluation of "systemwide funding" shows Saudi Arabia, Kuwait, and Israel as "low risk", whereas 13 countries were classified as "intermediate risk", and the rest "high risk" or "very high risk". Saudi Arabia's banking system, for example, has a high share of core customer deposits to total loans. The situation in Israel is also positive. Israel has very low net external funding and a relatively deep and active capital market for debt issuance. Banks that we consider show "intermediate risk" for "systemwide funding" tend to be funded by customer deposits and, in the case of many Gulf countries, government-related entities are among the largest depositors, which enables governments to channel funds swiftly to the banking sector. We assess South Africa as "intermediate risk" because of its relatively deep domestic capital market, even though banks there are exposed to short-term wholesale deposits. By contrast, in the "high risk" countries, core customer deposits typically fall short of banks' funding needs and the banks often resort to borrowing in wholesale cross-border markets. These factors led to classification as "high risk" for Bulgaria, Russia, Ukraine, and Uzbekistan. Turkey's inclusion in this category reflects the short-term maturities of customer deposits, which pose funding risk for its banks. Hungary is one of four countries categorized as "very high risk" because of a significant reliance on wholesale funding.

The Probability Of Government Support Varies Across The Globe

Part of our review involved an evaluation of governments' tendency to support private banks in countries to which we assign a BICRA (see Appendix). Our view of the likelihood of government support may influence our issuer credit rating on systemically important banks in a particular country (see "Banks: Rating Methodology And Assumptions," published Nov. 9, 2011). We assess governments in North America and Western Europe as "supportive". This means we recognize their track record of extraordinary support for banks during financial distress, but believe that the authorities primarily rely on prudential regulation and supervision to ensure the health of the banking systems. Asia-Pacific stands out in this regard, and we consequently assess the majority of governments in the region as "highly supportive". This means we believe almost all governments in Asia-Pacific would likely take proactive measures to ensure full and timely payments to senior creditors of the banking sector. We base this on these governments' previous actions and the absence of legislations or policies that could hinder timely support.

For countries in CEEMEA we see governments as either "highly supportive", "supportive", or "support uncertain". All Gulf Cooperation Council countries are classified as "highly supportive" because of their capacity to provide extraordinary support and history of doing so (this classification does not apply to wholesale banks in Bahrain). We view governments in Russia and most of the CIS, as well as in Central and Eastern Europe as "supportive", for similar reasons as for North America and Western Europe. Governments in Arab-Mediterranean countries are also in this category because we believe they are willing to provide extraordinary support, but often have limited capacity to do so. Our assessment shows Latin American countries as either "supportive" or "support uncertain", depending on our view of government measures.

Four Impending Risks To Our BICRA Assessments

Several major risks present challenges for global banking industries and could affect future BICRA groupings, among them:

- Weakening sovereign creditworthiness,
- The increased likelihood of a double-dip recession in Europe,
- Rising economic imbalances in emerging markets, and
- Risk-averse funding markets and the future withdrawal of governments' support mechanisms for banks.

In addition, uncertainty about future bank resolution regimes may influence our view of a government's tendency to support private-sector banks, although it may not directly affect a BICRA.

Sovereign creditworthiness plays a critical role

Sovereigns' weakened credit profiles in the wake of the prolonged financial and economic downturn have a knock-on effect on banks' creditworthiness. The negative impact of eroding sovereign creditworthiness is particularly pronounced in the eurozone. Standard & Poor's currently has negative outlooks on several countries in the eurozone (Belgium, Greece, Italy, Portugal, and Spain). In addition, the U.S. and Japan have been downgraded and carry negative outlooks. Downward pressure on our BICRA scores for certain countries could mount if any of the factors underlying our assessment of sovereign creditworthiness were to deteriorate (see "Sovereign Government Rating Methodology And Assumptions," published June 30, 2011). Conversely, a number of sovereign ratings carry positive outlooks, and an improvement of the underlying factors to lower risk could cause us to raise our BICRAs for those countries.

Increased risk of a double-dip recession in Europe

We see a higher likelihood of renewed recession in Western Europe in 2012 (see "The Specter Of A Double Dip In Europe Looms Larger," published on Oct. 4, 2011). The ensuing downside risks could come from a rise in long-term interest rates or flagging growth in emerging markets, which could hurt the real economy. Dimming growth prospects in Europe would also put additional pressure on the balance sheets of both banks and governments and further tarnish confidence in already wary wholesale funding markets.

Low interest rates may fuel future economic imbalances, particularly in emerging markets

As central banks in advanced economies cope with the consequences of the financial crisis, interest rates remain very low. We see a risk that continually low interest rates will lead to capital flows that may fuel future bubbles in other parts of the globe. Moreover, China has been experiencing a significant credit and property price expansion for some time, and if it were to go through a destabilizing correction, the repercussions would likely be felt all over the world.

Risk-averse funding markets and the exit strategies of central banks increase banks' vulnerability

The apparent caution of market participants mean that long-term bonds have only been sold at extremely wide spreads, even for banks that we consider to be highly creditworthy. This adds to the uncertainty for global banking sectors. Furthermore, central banks and governments will eventually withdraw the extraordinary funding and liquidity they provided to various banking sectors over the past three years. In our opinion, the eventual removal of these substantial facilities represents a potential shock to an industry that is still fragile after three years of intermittent crisis.

Bank resolution regimes are a source of additional uncertainty

In response to the financial crisis, regulators and international bodies have taken steps to improve banking regulation and policies. One of these policies aims at managing failing banks that threaten to trigger a systemic crisis (see "Bank Resolution Regimes: Potential Rating Implications As Sovereign Support Frameworks Evolve," published on March 16, 2011). Uncertainty about the workings of future resolution regimes contributes to the watchful behavior of investors and bank counterparties in the wholesale funding markets. It is also one of the reasons why large U.S. and European banks have been paying higher costs since 2009. We believe sovereign governments could continue to support systemically important banks in various situations. This notwithstanding, we will monitor changes to bank resolution regimes.

Appendix

Table 4

BICRA Scores Under The New Criteria

From The Lowest Risk (Group '1') To The Highest Risk (Group '10')

		Economic risk descriptions				Industry risk descriptions				Government support assessment
Country	BICRA group	Economic resilience	Economic imbalances	Credit risk in the economy	Economic risk	Institutional framework	Competitive dynamics	Systemwide funding	Industry risk	
Canada	1	Very low	Low	Low	2	Very low	Very low	Low	1	Supportive
Switzerland	1	Very low	Very low	Low	1	Low	Low	Very low	2	Supportive
Australia	2	Very low	Intermediate	Low	2	Very low	Very low	Intermediate	2	Highly supportive
Austria	2	Very low	Low	Intermediate	2	Intermediate	Intermediate	Low	3	Supportive
Belgium	2	Very low	Very low	Low	1	Intermediate	Intermediate	Low	3	Supportive
Finland	2	Very low	Low	Very low	1	Low	Low	Intermediate	3	Supportive
France	2	Very low	Low	Low	2	Low	Low	Low	2	Supportive
Germany	2	Very low	Very low	Low	1	Intermediate	Intermediate	Very low	3	Supportive
HongKong	2	Very low	High	Low	3	Very low	Low	Very low	1	Highly supportive
Japan	2	Low	Very low	Low	2	Intermediate	Intermediate	Very low	3	Highly supportive
Liechtenstein	2	Low	Low	Low	2	Intermediate	Low	Low	3	Supportive
Luxembourg	2	Very low	Very low	Intermediate	2	Intermediate	Low	Low	3	Supportive
Netherlands	2	Very low	Low	Intermediate	2	Intermediate	Intermediate	Low	3	Supportive
Norway	2	Very low	Low	Low	2	Low	Low	Intermediate	3	Supportive
Saudi Arabia	2	Intermediate	Low	Intermediate	3	Low	Low	Low	2	Highly supportive
Singapore	2	Very low	High	Low	3	Very low	Low	Low	2	Highly supportive
Sweden	2	Very low	Intermediate	Low	2	Low	Low	Intermediate	3	Supportive
Bermuda	3	Intermediate	Intermediate	Low	3	Low	Low	Intermediate	3	Supportive
Chile	3	Intermediate	Intermediate	Intermediate	4	Low	Intermediate	Low	3	Supportive
Denmark	3	Very low	Intermediate	Intermediate	3	Low	Intermediate	Intermediate	3	Supportive
Italy	3	Intermediate	Low	Intermediate	3	Intermediate	Low	Low	3	Supportive
Korea	3	Intermediate	Low	High	4	Intermediate	Intermediate	Low	3	Highly supportive
New Zealand	3	Low	Low	Intermediate	3	Low	Low	High	4	Supportive
United Kingdom	3	Very low	High	Intermediate	4	Intermediate	Intermediate	Low	3	Supportive
United States	3	Very low	Intermediate	Intermediate	3	Intermediate	High	Very low	4	Supportive
Brazil	4	High	Low	High	5	Intermediate	Low	Intermediate	3	Supportive
Czech Republic	4	Intermediate	Intermediate	Intermediate	4	Intermediate	Intermediate	Intermediate	4	Supportive
Israel	4	Intermediate	Intermediate	High	5	Intermediate	Intermediate	Low	3	Supportive
Kuwait	4	Low	Intermediate	High	4	Very high	Intermediate	Low	5	Highly supportive
Malaysia	4	High	Low	High	5	Intermediate	Intermediate	Low	3	Highly supportive

Table 4

BICRA Scores Under The New Criteria (cont.)										
Mexico	4	High	Very low	High	5	Intermediate	Low	Low	3	Supportive
Oman	4	Intermediate	Low	High	4	Intermediate	Intermediate	Intermediate	4	Highly supportive
Peru	4	Intermediate	Very low	Very high	5	Low	Intermediate	High	4	Supportive
Qatar	4	Low	Intermediate	High	4	Intermediate	High	Intermediate	5	Highly supportive
Slovakia	4	Intermediate	Intermediate	Intermediate	4	Intermediate	Intermediate	Intermediate	4	Supportive
South Africa	4	High	Intermediate	Intermediate	5	Low	Low	Intermediate	3	Supportive
Spain	4	Intermediate	High	Intermediate	5	Intermediate	Low	Intermediate	3	Supportive
Taiwan	4	Intermediate	Low	Low	3	Intermediate	Very high	Very low	5	Highly supportive
China	5	Intermediate	High	High	6	High	High	Very low	5	Highly supportive
Slovenia	5	Low	Intermediate	High	4	High	High	Intermediate	6	Supportive
Colombia	5	High	Intermediate	High	6	High	Intermediate	Intermediate	5	Supportive
India	5	High	Low	High	5	High	High	Low	5	Highly supportive
Panama	5	Intermediate	High	High	6	High	Low	High	5	Support uncertain
Poland	5	Intermediate	Intermediate	High	5	High	Intermediate	High	6	Supportive
Portugal	5	High	High	Intermediate	6	Intermediate	Low	Very high	5	Supportive
Thailand	5	High	Very low	Very high	6	High	High	Low	5	Highly supportive
Trinidad and Tobago	5	High	Intermediate	Intermediate	5	High	High	Intermediate	6	Supportive
Turkey	5	High	High	Intermediate	6	Intermediate	Intermediate	High	5	Supportive
United Arab Emirates	5	Low	High	High	5	High	Intermediate	Intermediate	5	Highly supportive
Bahrain	6	High	Intermediate	High	6	Intermediate	High	High	6	Highly supportive
Croatia	6	High	High	High	7	High	Intermediate	Intermediate	5	Supportive
Estonia	6	Intermediate	Intermediate	High	5	High	High	High	7	Supportive
Guatemala	6	Very high	Intermediate	Very high	7	High	Intermediate	Intermediate	5	Supportive
Bulgaria	7	High	High	Very high	7	High	Intermediate	High	6	Supportive
Costa Rica	7	High	Low	Very high	6	High	High	High	7	Supportive
El Salvador	7	Extremely high	Very low	Very high	8	High	Intermediate	High	6	Support uncertain
Hungary	7	High	High	Very high	7	High	Intermediate	Very high	7	Supportive
Iceland	7	High	Very high	High	7	High	Intermediate	Very high	7	Support uncertain
Indonesia	7	Very high	Low	Very high	7	Extremely high	High	Low	7	Highly supportive
Ireland	7	Intermediate	Very high	Very high	7	High	Intermediate	Very high	7	Supportive
Jordan	7	Very high	Low	Very high	7	High	High	Intermediate	6	Supportive
Lithuania	7	High	High	High	7	High	High	Very high	7	Supportive
Morocco	7	Very high	High	Very high	8	High	Intermediate	Intermediate	5	Supportive
Philippines	7	Very high	Low	Very high	7	Very high	Intermediate	Intermediate	6	Highly supportive

Table 4

BICRA Scores Under The New Criteria (cont.)

Russia	7	High	Intermediate	Very high	7	Very high	High	High	7	Supportive
Argentina	8	Extremely high	High	High	8	Very high	High	Very high	8	Support uncertain
Bolivia	8	Very high	Low	Extremely high	8	Very high	High	Intermediate	7	Support uncertain
Egypt	8	Very high	High	Very high	8	Very high	High	Intermediate	7	Supportive
Georgia	8	High	High	Very high	7	Intermediate	High	Extremely high	8	Supportive
Kazakhstan	8	High	High	Extremely high	8	Very high	High	Very high	8	Supportive
Latvia	8	High	High	Very high	7	Very high	High	Very high	8	Supportive
Lebanon	8	Very high	High	Extremely high	9	High	High	Intermediate	6	Supportive
Nigeria	8	Very high	High	Very high	8	Very high	Very high	Intermediate	7	Supportive
Tunisia	8	High	Intermediate	Very high	7	Very high	High	Very high	8	Supportive
Uruguay	8	High	High	Very high	7	High	Intermediate	Extremely high	8	Support uncertain
Uzbekistan	8	Very high	Intermediate	Very high	7	Extremely high	Very high	High	9	Highly supportive
Papua New Guinea	9	Very high	Very high	Very high	9	Very high	High	Very high	8	Support uncertain
Azerbaijan	9	High	Intermediate	Extremely high	8	Very high	Very high	Very high	9	Supportive
Cambodia	9	Extremely high	Intermediate	Extremely high	9	Extremely high	High	Very high	9	Support uncertain
Jamaica	9	Extremely high	Extremely high	Very high	10	High	High	Very high	7	Support uncertain
Paraguay	9	Extremely high	Very high	Very high	10	Very high	High	Intermediate	7	Support uncertain
Ukraine	9	Very high	Very high	Extremely high	10	Very high	High	High	7	Support uncertain
Venezuela	9	Very high	High	Extremely high	9	Extremely high	Very high	Intermediate	8	Highly supportive
Belarus	10	High	Extremely high	Extremely high	10	Very high	Very high	Extremely high	10	Support uncertain
Greece	10	Very high	Very high	Extremely high	10	High	Intermediate	Extremely high	8	Supportive
Vietnam	10	Very high	Very high	Extremely high	10	Extremely high	Very high	Intermediate	8	Highly supportive

Table 5

BICRA Scores Under The New Criteria

(In Alphabetical Order)

		Economic risk descriptions				Industry risk descriptions				Government support assessment
Country	**BICRA group**	**Economic resilience**	**Economic imbalances**	**Credit risk in the economy**	**Economic risk**	**Institutional framework**	**Competitive dynamics**	**Systemwide funding**	**Industry risk**	
Argentina	8	Extremely high	High	High	8	Very high	High	Very high	8	Support uncertain
Australia	2	Very low	Intermediate	Low	2	Very low	Very low	Intermediate	2	Highly supportive
Austria	2	Very low	Low	Intermediate	2	Intermediate	Intermediate	Low	3	Supportive
Azerbaijan	9	High	Intermediate	Extremely high	8	Very high	Very high	Very high	9	Supportive
Bahrain	6	High	Intermediate	High	6	Intermediate	High	High	6	Highly supportive
Belarus	10	High	Extremely high	Extremely high	10	Very high	Very high	Extremely high	10	Support uncertain
Belgium	2	Very low	Very low	Low	1	Intermediate	Intermediate	Low	3	Supportive
Bermuda	3	Intermediate	Intermediate	Low	3	Low	Low	Intermediate	3	Supportive
Bolivia	8	Very high	Low	Extremely high	8	Very high	High	Intermediate	7	Support uncertain
Brazil	4	High	Low	High	5	Intermediate	Low	Intermediate	3	Supportive
Bulgaria	7	High	High	Very high	7	High	Intermediate	High	6	Supportive
Cambodia	9	Extremely high	Intermediate	Extremely high	9	Extremely high	High	Very high	9	Support uncertain
Canada	1	Very low	Low	Low	2	Very low	Very low	Low	1	Supportive
Chile	3	Intermediate	Intermediate	Intermediate	4	Low	Intermediate	Low	3	Supportive
China	5	Intermediate	High	High	6	High	High	Very low	5	Highly supportive
Colombia	5	High	Intermediate	High	6	High	Intermediate	Intermediate	5	Supportive
Costa Rica	7	High	Low	Very high	6	High	High	High	7	Supportive
Croatia	6	High	High	High	7	High	Intermediate	Intermediate	5	Supportive
Czech Republic	4	Intermediate	Intermediate	Intermediate	4	Intermediate	Intermediate	Intermediate	4	Supportive
Denmark	3	Very low	Intermediate	Intermediate	3	Low	Intermediate	Intermediate	3	Supportive
Egypt	8	Very high	High	Very high	8	Very high	High	Intermediate	7	Supportive
El Salvador	7	Extremely high	Very low	Very high	8	High	Intermediate	High	6	Support uncertain
Estonia	6	Intermediate	Intermediate	High	5	High	High	High	7	Supportive
Finland	2	Very low	Low	Very low	1	Low	Low	Intermediate	3	Supportive
France	2	Very low	Low	Low	2	Low	Low	Low	2	Supportive
Georgia	8	High	High	Very high	7	Intermediate	High	Extremely high	8	Supportive
Germany	2	Very low	Very low	Low	1	Intermediate	Intermediate	Very low	3	Supportive
Greece	10	Very high	Very high	Extremely high	10	High	Intermediate	Extremely high	8	Supportive
Guatemala	6	Very high	Intermediate	Very high	7	High	Intermediate	Intermediate	5	Supportive

Table 5

BICRA Scores Under The New Criteria (cont.)

Hong Kong	2	Very low	High	Low	3	Very low	Low	Very low	1	Highly supportive
Hungary	7	High	High	Very high	7	High	Intermediate	Very high	7	Supportive
Iceland	7	High	Very high	High	7	High	Intermediate	Very high	7	Support uncertain
India	5	High	Low	High	5	High	High	Low	5	Highly supportive
Indonesia	7	Very high	Low	Very high	7	Extremely high	High	Low	7	Highly supportive
Ireland	7	Intermediate	Very high	Very high	7	High	Intermediate	Very high	7	Supportive
Israel	4	Intermediate	Intermediate	High	5	Intermediate	Intermediate	Low	3	Supportive
Italy	3	Intermediate	Low	Intermediate	3	Intermediate	Low	Low	3	Supportive
Jamaica	9	Extremely high	Extremely high	Very high	10	High	High	Very high	7	Support uncertain
Japan	2	Low	Very low	Low	2	Intermediate	Intermediate	Very low	3	Highly supportive
Jordan	7	Very high	Low	Very high	7	High	High	Intermediate	6	Supportive
Kazakhstan	8	High	High	Extremely high	8	Very high	High	Very high	8	Supportive
Korea	3	Intermediate	Low	High	4	Intermediate	Intermediate	Low	3	Highly supportive
Kuwait	4	Low	Intermediate	High	4	Very high	Intermediate	Low	5	Highly supportive
Latvia	8	High	High	Very high	7	Very high	High	Very high	8	Supportive
Lebanon	8	Very high	High	Extremely high	9	High	High	Intermediate	6	Supportive
Liechtenstein	2	Low	Low	Low	2	Intermediate	Low	Low	3	Supportive
Lithuania	7	High	High	High	7	High	High	Very high	7	Supportive
Luxembourg	2	Very low	Very low	Intermediate	2	Intermediate	Low	Low	3	Supportive
Malaysia	4	High	Low	High	5	Intermediate	Intermediate	Low	3	Highly supportive
Mexico	4	High	Very low	High	5	Intermediate	Low	Low	3	Supportive
Morocco	7	Very high	High	Very high	8	High	Intermediate	Intermediate	5	Supportive
Netherlands	2	Very low	Low	Intermediate	2	Intermediate	Intermediate	Low	3	Supportive
New Zealand	3	Low	Low	Intermediate	3	Low	Low	High	4	Supportive
Nigeria	8	Very high	High	Very high	8	Very high	Very high	Intermediate	7	Supportive
Norway	2	Very low	Low	Low	2	Low	Low	Intermediate	3	Supportive
Oman	4	Intermediate	Low	High	4	Intermediate	Intermediate	Intermediate	4	Highly supportive
Panama	5	Intermediate	High	High	6	High	Low	High	5	Support uncertain
Papua New Guinea	9	Very high	Very high	Very high	9	Very high	High	Very high	8	Support uncertain
Paraguay	9	Extremely high	Very high	Very high	10	Very high	High	Intermediate	7	Support uncertain
Peru	4	Intermediate	Very low	Very high	5	Low	Intermediate	High	4	Supportive
Philippines	7	Very high	Low	Very high	7	Very high	Intermediate	Intermediate	6	Highly supportive

Table 5

BICRA Scores Under The New Criteria (cont.)										
Poland	5	Intermediate	Intermediate	High	5	High	Intermediate	High	6	Supportive
Portugal	5	High	High	Intermediate	6	Intermediate	Low	Very high	5	Supportive
Qatar	4	Low	Intermediate	High	4	Intermediate	High	Intermediate	5	Highly supportive
Russia	7	High	Intermediate	Very high	7	Very high	High	High	7	Supportive
Saudi Arabia	2	Intermediate	Low	Intermediate	3	Low	Low	Low	2	Highly supportive
Singapore	2	Very low	High	Low	3	Very low	Low	Low	2	Highly supportive
Slovakia	4	Intermediate	Intermediate	Intermediate	4	Intermediate	Intermediate	Intermediate	4	Supportive
Slovenia	5	Low	Intermediate	High	4	High	High	Intermediate	6	Supportive
South Africa	4	High	Intermediate	Intermediate	5	Low	Low	Intermediate	3	Supportive
Spain	4	Intermediate	High	Intermediate	5	Intermediate	Low	Intermediate	3	Supportive
Sweden	2	Very low	Intermediate	Low	2	Low	Low	Intermediate	3	Supportive
Switzerland	1	Very low	Very low	Low	1	Low	Low	Very low	2	Supportive
Taiwan	4	Intermediate	Low	Low	3	Intermediate	Very high	Very low	5	Highly supportive
Thailand	5	High	Very low	Very high	6	High	High	Low	5	Highly supportive
Trinidad and Tobago	5	High	Intermediate	Intermediate	5	High	High	Intermediate	6	Supportive
Tunisia	8	High	Intermediate	Very high	7	Very high	High	Very high	8	Supportive
Turkey	5	High	High	Intermediate	6	Intermediate	Intermediate	High	5	Supportive
Ukraine	9	Very high	Very high	Extremely high	10	Very high	High	High	7	Support uncertain
United Arab Emirates	5	Low	High	High	5	High	Intermediate	Intermediate	5	Highly supportive
United Kingdom	3	Very low	High	Intermediate	4	Intermediate	Intermediate	Low	3	Supportive
United States	3	Very low	Intermediate	Intermediate	3	Intermediate	High	Very low	4	Supportive
Uruguay	8	High	High	Very high	7	High	Intermediate	Extremely high	8	Support uncertain
Uzbekistan	8	Very high	Intermediate	Very high	7	Extremely high	Very high	High	9	Highly supportive
Venezuela	9	Very high	High	Extremely high	9	Extremely high	Very high	Intermediate	8	Highly supportive
Vietnam	10	Very high	Very high	Extremely high	10	Extremely high	Very high	Intermediate	8	Highly supportive

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

Related criteria

- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011

- Group Rating Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- Sovereign Government Rating Methodology And Assumptions, June 30, 2011

Related research

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