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# Banking Industry Country Risk Assessments

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# Banking Industry Country Risk Assessments

Standard & Poor's Ratings Services analyzes the credit standing of financial institutions in the context of the broad economic, regulatory, and legal environment in which they operate. Critical factors that underpin the credit rating on an individual financial institution are the strengths and weaknesses of the overall economy and the banking industry. We periodically compile this analysis in a "Bank Industry Risk Analysis," a specialized credit commentary that we publish on RatingsDirect.

We synthesize the analysis into a single Banking Industry Country Risk Assessment, or BICRA, that reflects the strengths and weakness of a country's banking system relative to other countries'. BICRAs classify countries into 10 groups ranging from the strongest banking systems (Group 1) to the weakest (Group 10) from a bank credit perspective. At present, we assign BICRAs to the banking systems of 89 countries.

A BICRA is a combination of multiple factors relating to the structure and performance of a country's economy, the legal and regulatory infrastructure underpinning the financial system, and the structure and credit culture in the country's banking system itself. The BICRA also reflects the quality and effectiveness of bank regulation and the track record of a central bank in managing turmoil in the financial sector. The BICRA excludes the potential of extraordinary government intervention and rescue of failing banks, which we evaluate as an institution-specific rating factor distinct from the BICRA.

## Gross Problematic Assets

A key component of each BICRA is our estimate of the potential proportion of credit to the private sector and nonfinancial public enterprises (NFPEs) that could become problematic during the full course of a recession. The estimates fall into six GPA ranges, the narrowest being 5%-15% and the widest 50%-75%. Problematic assets include overdue loans, restructured assets (where the original terms have been altered), foreclosed real estate and other assets recovered in loan workouts, and nonperforming assets sold to special-purpose vehicles. The estimated GPA ranges project the potential level and extent of problem assets in the future. For our methodology, we draw on historical data on the nature and extent of a banking system's problem assets during downturns and take into consideration subsequent structural adjustments in a country's economy and financial system. The GPA range of a country represents the potential severity of systemwide financial stress or a banking crisis in a recession.

**Table 1**

Banking Industry Country Risk Assessments				
Group 1	Group 2	Group 3	Group 4	Group 5
Australia	Belgium	Austria	Czech Republic	Bahrain
Canada	Denmark	Chile	Greece	Brazil
Finland	Germany	Japan	Israel	Malta
France	Hong Kong	Portugal	Korea	Oman
Netherlands	Ireland	Saudi Arabia	Kuwait	Poland
Sweden	Italy		Malaysia	South Africa
Switzerland	Luxembourg		Mexico	
	New Zealand		Qatar	
	Norway		Slovak Republic	

Table 1

Banking Industry Country Risk Assessments (cont.)				
	Singapore		Slovenia	
	Spain		Taiwan	
	United Kingdom		UAE	
	United States			
Group 6	Group 7	Group 8	Group 9	Group 10
China	Bulgaria	Argentina	Belarus	Bolivia
Croatia	El Salvador	Colombia	Bosnia & Herzegovina	Cambodia
Cyprus	Lithuania	Egypt	Costa Rica	Dominican Republic
Hungary	Romania	Iceland	Guatemala	Ecuador
India	Turkey	Indonesia	Lebanon	Jamaica
Panama		Jordan	Montenegro	Suriname
Peru		Kazakhstan	Nigeria	Ukraine
Thailand		Latvia	Vietnam	Venezuela
Trinidad and Tobago		Morocco		
		Pakistan		
		Philippines		
		Russia		
		Serbia		
		Tunisia		
		Uruguay		

Table 2

Gross Problematic Asset Ranges					
5%-15%	10%-20%	15%-30%	25%-40%	35%-50%	50%-75%
Australia	Austria	Bahrain (onshore)	Bulgaria	Argentina	Dominican Rep.
Belgium	Chile	Brazil	Croatia	Belarus	Ecuador
Canada	Greece	Colombia	Cyprus	Bolivia	Egypt
Denmark	Italy	Czech Republic	El Salvador	Bosnia & Herzegovina	
Finland	Japan	Israel	Estonia	Cambodia	
France	Korea	Kuwait	Hungary	China	
Germany	New Zealand	Malaysia	India	Costa Rica	
Hong Kong	Portugal	Malta	Jordan	Guatemala	
Ireland	Singapore	Mexico	Lebanon	Iceland	
Luxembourg	South Africa	Oman	Lithuania	Indonesia	
Netherlands		Panama	Morocco	Jamaica	
Norway		Peru	Philippines	Kazakhstan	
Spain		Qatar	Poland	Latvia	
Sweden		Saudi Arabia	Romania	Montenegro	
Switzerland		Slovak Republic	Trinidad and Tobago	Nigeria	
United Kingdom		Slovenia	Turkey	Pakistan	
United States		Taiwan	Uruguay	Russia	
		UAE		Serbia	

Table 2

Gross Problematic Asset Ranges (cont.)	
	Suriname
	Thailand
	Tunisia
	Ukraine
	Venezuela
	Vietnam

Table 3

Banking Industry Country Risk Assessments By Country With GPAs, And Sovereign Ratings				
Country	BICRA	GPA range (%)	Local currency ratings	Foreign currency ratings
Argentina	8	35-50	B-/Stable/C	B-/Stable/C
Australia	1	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Austria	3	10-20	AAA/Stable/A-1+	AAA/Stable/A-1+
Bahrain	5	15-30	A/Stable/A-1	A/Stable/A-1
Belarus	9	35-50	BB/Negative/B	B+/Negative/B
Belgium	2	5-15	AA+/Stable/A-1+	AA+/Stable/A-1+
Bolivia	10	35-50	B-/Stable/C	B-/Stable/C
Bosnia & Herzegovina	9	35-50	B+/Stable/B	B+/Stable/B
Brazil	5	15-30	BBB+/Stable/A-2	BBB-/Stable/A-3
Bulgaria	7	25-40	BBB/Negative/A-3	BBB/Negative/A-3
Cambodia	10	35-50	B+/Stable/B	B+/Stable/B
Canada	1	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Chile	3	10-20	AA/Stable/A-1+	A+/Stable/A-1
China	6	35-50	A+/Stable/A-1+	A+/Stable/A-1+
Colombia	8	15-30	BBB+/Stable/A-2	BB+/Stable/B
Costa Rica	9	35-50	BB+/Stable/B	BB/Stable/B
Croatia	6	25-40?	BBB+/Negative/A-2	BBB/Negative/A-3
Cyprus	6	25-40	A+/Stable/A-1	A+/Stable/A-1
Czech Republic	4	15-30	A+/Stable/A-1	A/Stable/A-1
Denmark	2	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Dominican Republic	10	50-75	B/Stable/B	B/Stable/B
Ecuador	10	50-75	SD/--/SD	SD/--/SD
Egypt	8	50-75	BBB-/Stable/A-3	BB+/Stable/B
El Salvador	7	25-40	BB+Negative/B	BB+/Negative/B
Estonia	6	25-40	A/Negative/A-1	A/Negative/A-1
Finland	1	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
France	1	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Germany	2	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Greece	4	10-20	A-/Stable/A-2	A-/Stable/A-2
Guatemala	9	35-50	BB+/Stable/B	BB/Stable/B
Hong Kong	2	5-15	AA+/Stable/A-1+	AA+/Stable/A-1+
Hungary	6	15-30	BBB/Negative/A-3	BBB/Negative/A-3

Table 3

Banking Industry Country Risk Assessments By Country With GPAs, And Sovereign Ratings (cont.)				
Iceland	8	35-50	BBB+/Negative/A-2	BBB-/Negative/A-3
India	6	25-40	BBB-/Stable/A-3	BBB-/Stable/A-3
Indonesia	8	35-50	BB+/Stable/B	BB-/Stable/B
Ireland	2	5-15	AAA/Negative/A-1+	AAA/Negative/A-1+
Israel	4	15-30	AA-/Stable/A-1+	A/Stable/A-1
Italy	2	10-20	A+/Stable/A-1+	A+/Stable/A-1+
Jamaica	10	35-50	B/Negative/B	B/Negative/B
Japan	3	10-20	AA/Stable/A-1+	AA/Stable/A-1+
Jordan	8	25-40	BBB/Stable/A-3	BB/Stable/B
Kazakhstan	8	35-50	BBB/Negative/A-3	BBB-/Negative/A-3
Korea	4	10-20	A+/Stable/A-1	A/Stable/A-1
Kuwait	4	15-30	AA-/Stable/A-1+	AA-/Stable/A-1+
Latvia	8	35-50	BBB-/Watch Neg/A-3	BBB-/Watch Neg/A-3
Lebanon	9	25-40	B-/Stable/C	B-/Stable/C
Lithuania	7	25-40	BBB+/Negative/A-2	BBB+/Negative/A-2
Luxembourg	2	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Malaysia	4	15-30	A+/Stable/A-1	A-/Stable/A-2
Malta	5	15-30	A/Stable/A-1	A/Stable/A-1
Mexico	4	15-30	A+/Stable/A-1	BBB+/Stable/A-2
Montenegro	9	35-50	BB+/Negative/B	BB+/Negative/B
Morocco	8	25-40	BBB/Stable/A-3	BB+/Stable/B
Netherlands	1	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
New Zealand	2	10-20	AAA/Stable/A-1+	AA+/Negative/A-1+
Nigeria	9	35-50	BB/Stable/B	BB-/Stable/B
Norway	2	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Oman	5	15-30	A/Stable/A-1	A/Stable/A-1
Pakistan	8	35-50	CCC+/Developing/C	CCC+/Developing/C
Panama	6	15-30	BB+/Stable/B	BB+/Stable/B
Peru	6	15-30	BBB+/Stable/A-2	BBB-/Stable/A-3
Philippines	8	25-40	BB+/Stable/B	BB-/Stable/B
Poland	6	25-40	A/Stable/A-1	A-/Stable/A-2
Portugal	3	10-20	A+/Stable/A-1	A+/Stable/A-1
Qatar	4	15-30	AA-/Stable/A-1+	AA-/Stable/A-1+
Romania	7	25-40	BBB-/Negative/A-3	BB+/Negative/B
Russia	8	35-50	BBB+/Negative/A-2	BBB/Negative/A-3
Saudi Arabia	3	15-30	AA-/Stable/A-1+	AA-/Stable/A-1+
Serbia	8	35-50	BB-/Negative/B	BB-/Negative/B
Singapore	2	10-20	AAA/Stable/A-1+	AAA/Stable/A-1+
Slovak Republic	4	15-30	A+/Stable/A-1	A+/Stable/A-1
Slovenia	4	15-30	AA/Stable/A-1+	AA/Stable/A-1+
South Africa	5	10-20	A+/Negative/A-1	BBB+/Negative/A-2
Spain	2	5-15	AA+/Stable/A-1+	AA+/Stable/A-1+

**Table 3**

<b>Banking Industry Country Risk Assessments By Country With GPAs, And Sovereign Ratings (cont.)</b>				
Suriname	10	35-50	BB-/Stable/B	B+/Stable/B
Sweden	1	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Switzerland	1	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Taiwan	4	15-30	AA-/Stable/A-1+	AA-/Stable/A-1+
Thailand	6	35-50	A/Negative/A-1	BBB+/Negative/A-2
Trinidad and Tobago	6	25-40	A+/Watch Neg/A-1	A/Watch Neg/A-1
Tunisia	8	35-50	A/Stable/A-1	BBB/Stable/A-3
Turkey	7	25-40	BB/Negative/B	BB-/Negative/B
UAE	4	15-30	--	--
Ukraine	10	35-50	B+/Watch Neg/B	B/Watch Neg/B
United Kingdom	2	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
United States	2	5-15	AAA/Stable/A-1+	AAA/Stable/A-1+
Uruguay	8	25-40	BB-/Stable/B	BB-/Stable/B
Venezuela	10	35-50	BB-/Negative/B	BB-/Negative/B
Vietnam	9	35-50	BB+/Negative/B	BB/Negative/B

Data and ratings as of Feb. 20, 2009. BICRA--Banking Industry Country Risk Assessment. GPA--Gross problematic assets.

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