

## 24 European Banking Groups Assigned Resolution Counterparty Ratings

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### OVERVIEW

- We are assigning long- and short-term resolution counterparty ratings (RCRs) to 24 European banking groups, including relevant global subsidiaries and branches, following the publication of our methodology for assigning RCRs on April 19, 2018.
- The banking groups are based in Germany, Austria, Liechtenstein, Portugal, Malta, Cyprus, Sweden, Denmark, Norway, and Finland, for which we have completed our RCR jurisdiction assessments.
- We completed our jurisdiction assessment on Switzerland on June 25, 2018,

and have already assigned RCRs to the eligible banks in this country.

- No issuer credit ratings are affected by this review.

PARIS (S&P Global Ratings) June 29, 2018--S&P Global Ratings said today that it has assigned long- and short-term resolution counterparty ratings (RCRs) to the lead operating banks of 24 banking groups in 10 European countries, and to their 18 branches and subsidiaries (see ratings list below). These actions follow the publication of our RCR methodology on April 19, 2018, the completion of our RCR jurisdiction assessments on these 10 countries, and our review of the impact on rated financial institutions.

An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default with an effective bail-in resolution process for the issuing financial institution. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective, and the issuer is likely to be subject to a resolution that entails a bail-in if it reaches nonviability. We typically position the long-term RCR up to one notch above the long-term issuer credit rating (ICR) when the ICR ranges from 'BBB-' to 'A+', and up to two notches when the ICR ranges from 'B-' to 'BB+'. RCR uplift does not apply to institutions with ICRs of 'AA-' or higher.

Today's rating actions cover eligible banking groups headquartered in Germany, Austria, Liechtenstein, Portugal, Malta, Cyprus, Sweden, Denmark, Norway, and Finland. We intend to assign RCRs to banks in the remaining European countries (Hungary, Greece, Slovenia, Croatia, and Poland) in the coming weeks. The 10 countries have each implemented resolution regimes based on the EU Bank Recovery and Resolution Directive (BRRD). We have published detailed jurisdiction assessments that identify the categories of liabilities that, in our view, are protected from default risk under each country's bank resolution framework because they are identified in the regulation as exempt from bail-in.

We have assigned RCRs only to entities incorporated in jurisdictions where we assess the resolution regime as effective. Outside Europe, the only such jurisdiction at present is the U.S. (see "Resolution Counterparty Ratings Jurisdictional Assessment For The U.S. Completed," published June 7, 2018). As a result, our RCRs on U.S. subsidiaries of European groups are at the same level as the ICRs on those subsidiaries. This outcome is consistent with the U.S. jurisdiction assessment, which concluded that there is insufficient visibility on whether certain senior liabilities have lower default risk than others in a bail-in resolution.

In particular, in today's rating actions:

- We have not assigned RCRs to entities unlikely to hold a material amount of RCR liabilities, which are explicitly excluded from a bail-in. Examples include nonoperating holding companies, financing vehicles that issue only senior unsecured or subordinated debt, and service companies.

- We have also not assigned RCRs to entities, for instance second-tier ones in Nordic countries, for which there is no clearly defined resolution path or the resolution plan will likely be the sale or partial transfer of the bank to a stronger institution, rather than a bail-in.
- Our criteria make it possible to assign a long-term RCR that exceeds the foreign currency long-term sovereign rating on the country of domicile, generally by one notch. This indicates that we see a considerable likelihood that a sovereign default would not immediately trigger a default on those banks' RCR liabilities. Contrary to our approach for certain banks in Spain and Italy (see "31 European Banking Groups Assigned Resolution Counterparty Ratings; Four Collateralized Notes Upgraded; UCO Removed," published June 12, 2018), we have not assigned RCRs exceeding the foreign currency sovereign rating to banks in Portugal. In a hypothetical stress scenario, we believe those banks do not currently have sufficient bail-in-able liabilities or, in the case of local subsidiaries of stronger foreign companies, that they may not receive sufficient and timely support from highly rated parents, to absorb the impact of such an adverse scenario on their liquidity and capital position. Therefore, our RCRs on rated Portuguese banks are capped, at best, at the level of the foreign currency sovereign rating.
- We have assigned a 'B+' long-term RCR to Bank of Cyprus, implying an uplift of only one notch above the 'B' long-term ICR, as opposed to the two-notch uplift we can apply. Like all Cypriot banks, Bank of Cyprus has limited capital market access. Although it will have to comply with the minimum requirement for own funds and eligible liabilities, it holds a marginal amount of such instruments on its balance sheet and we believe issuing such new instruments in the very short term may be complicated. Hence, we have little visibility at this stage on resolution authorities' ability to carry out an orderly resolution plan through a bail in. Therefore, we position the long-term RCR on Bank of Cyprus only one notch above the long-term ICR. Once the Bank of Cyprus has regained full capital market access, we may raise the long-term RCR on Bank of Cyprus by a second notch, all other factors remaining unchanged.
- RCR uplift does not apply to highly rated institutions with ICRs of 'AA-' or above, such as OP Corporate Bank in Finland, and Nordea, Swedbank, Skandinaviska Enskilda Banken, and Svenska Handelsbanken in Sweden.
- In Germany, we do not assign RCRs to the individual banks forming the cooperative banking sector, or to the savings banks forming the Sparkassen-Finanzgruppe Hessen-Thüringen (SFHT). We believe the regulators would apply a resolution framework to individual institutions rather than to the group as a whole. It is unlikely that individual savings banks in SFHT, or the individual banks in the cooperative sector, would be subject to a well-defined bail-in resolution process, given their small size, limited complexity, and low systemic importance as stand-alone entities. We believe that group support is the strongest external support element for member institutions of the cooperative banking sector and those of the SFHT, including the central institution Landesbank Hessen-Thüringen Girozentrale (Helaba).

#### RELATED CRITERIA

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- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
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- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

#### RELATED RESEARCH

- Resolution Counterparty Ratings Jurisdiction Assessment For Austria Completed, June 29, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For Liechtenstein, June 29, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For Portugal Completed, June 29, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For Malta Completed, June 29, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For Cyprus Completed, June 29, 2018

- Resolution Counterparty Ratings Jurisdiction Assessment For Sweden Completed, June 29, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For Denmark Completed, June 29, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For Norway Completed, June 29, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For Finland Completed, June 29, 2018
- Resolution Counterparty Ratings Jurisdiction Assessment For Germany Completed, June 11, 2018

## RATINGS LIST

New Rating		
	Country*	Resolution counterparty rating (long term/short term)
<b>Bank of Valletta</b>		
Bank of Valletta PLC	Malta	A-/A-2
<b>Bank of Cyprus</b>		
Bank of Cyprus Public Co. Ltd.	Cyprus	B+/B
<b>Erste Bank</b>		
Erste Group Bank AG	Austria	A+/A-1
Ceska Sporitelna A.S.	Czech Republic	A+/A-1
<b>Deutsche Bank</b>		
Deutsche Bank AG	Germany	A-/A-2
Deutsche Bank Luxembourg S.A.	Luxembourg	A-/A-2
Deutsche Bank AG (Canada Branch)	Germany	A-/A-2
Deutsche Bank AG (London Branch)	Germany	A-/A-2
Deutsche Bank AG (Madrid Branch)	Germany	A-/A-2
Deutsche Bank AG (Cayman Islands Branch)	Germany	A-/A-2
Deutsche Bank AG (Milan Branch)	Germany	A-/A-2
Deutsche Bank Trust Co. Delaware	U.S.	BBB+/A-2
Deutsche Bank Trust Co. Americas	U.S.	BBB+/A-2
Deutsche Bank National Trust Co.	U.S.	BBB+/A-2
Deutsche Bank Securities Inc.	U.S.	BBB+/A-2§
<b>Banco BPI</b>		
Banco BPI S.A.	Portugal	BBB-/A-3
Banco Portugues de Investimento S.A.	Portugal	BBB-/A-3

<b>New Rating</b>		
	<b>Country*</b>	<b>Resolution counterparty rating (long term/short term)</b>
<b>Banco Comercial Portugues</b>		
Banco Comercial Portugues S.A.	Portugal	BB+/B
<b>Santander Totta</b>		
Banco Santander Totta S.A.	Portugal	BBB-/A-3
<b>Commerzbank AG</b>		
Commerzbank AG	Germany	A/A-1
<b>Deutsche Pfandbriefbank</b>		
Deutsche Pfandbriefbank AG	Germany	A/A-1
<b>UniCredit Bank</b>		
UniCredit Bank AG	Germany	A-/A-2
UniCredit Luxembourg S.A.	Luxembourg	A-/A-2
<b>UniCredit Bank Austria</b>		
UniCredit Bank Austria AG	Austria	A-/A-2
<b>Santander Consumer Bank</b>		
Santander Consumer Bank AG	Germany	A/A-1
<b>LGT Bank</b>		
LGT Bank AG	Liechtenstein	AA-/A-1+
<b>VP Bank</b>		
VP Bank AG	Liechtenstein	A+/A-1
<b>Nordea</b>		
Nordea Bank AB	Sweden	AA-/A-1+
Nordea Hypotek AB	Sweden	A-1+
<b>Svenska Handelsbanken</b>		
Svenska Handelsbanken AB	Sweden	AA-/A-1+
Stadshypotek AB	Sweden	AA-/A-1+
<b>Swedbank</b>		
Swedbank AB	Sweden	AA-/A-1+
Swedbank Mortgage AB	Sweden	AA-/A-1+
<b>Skandinaviska Enskilda Banken</b>		
Skandinaviska Enskilda Banken AB (publ)	Sweden	AA-/A-1+
<b>OP Corporate Bank</b>		
OP Corporate Bank PLC	Finland	AA-/A-1+
<b>DNB Bank</b>		
DNB Bank ASA	Norway	AA-/A-1+
<b>Danske Bank</b>		
Danske Bank A/S	Denmark	A+/A-1

<b>New Rating</b>		
	<b>Country*</b>	<b>Resolution counterparty rating (long term/short term)</b>
<b>Nykredit</b>		
Nykredit Bank A/S	Denmark	A+/A-1
Nykredit Realkredit A/S	Denmark	A+/A-1
<b>Jyske Bank</b>		
Jyske Bank A/S	Denmark	A/A-1
BRFkredit A/S	Denmark	A/A-1
<b>DLR Kredit</b>		
DLR Kredit A/S	Denmark	A/A-1

\*Country of domicile. For branches, this refers to the country where the parent company is incorporated. §Local currency ratings only.

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