How COVID-19 Is Affecting Bank Ratings: June 2020 Update

June 11, 2020

(*Editor's Note:* *This commentary is an update of the article "How COVID-19 Is Affecting Bank Ratings," published on May 7, 2020. It includes updates on our latest rating actions and publications.*)

Key Takeaways

- We continue to expect that bank rating downgrades this year due to the COVID-19 pandemic will be limited by banks' strengthened balance sheets over the past 10 years, the support from public authorities to household and corporate markets, and our base case of a sustained economic recovery next year.
- Nevertheless, our outlook bias turned markedly negative since April, following the downward revision of our central economic forecasts, continued material downside risks to these forecasts, and the potential longer-term impact on banks' profitability.
- Rating actions on banks slowed in the past month, but we cannot rule out further actions, including downgrades, in particular for banks with pre-existing financial strength issues; second-quarter results will shed more light on the impact, but the full effect on asset quality will likely only become clear much later in the year.
- Although emerging market banks are often more exposed than developed market peers, we expect most will face an earnings rather than a capital shock, exacerbated by lower rollover rates for systems dependent on external financing, and the oil-price shock for some.

Banks across the world are facing negative rating momentum as a result of the significant effects of the coronavirus pandemic, oil shock, and market volatility. Yet, we still anticipate bank ratings will stay largely resilient for four key reasons:

- The generally strong capital and liquidity position of banks globally at the onset of the pandemic, supported by a material strengthening in bank regulations over the past 10 years;
- The substantial support and flexibility that banking systems receive from public authorities to entice them to continue lending to households and corporates, whether in the form of liquidity or credit guarantees, and relief on minimum regulatory capital and liquidity requirements;
- The unprecedented direct support that governments provide to their corporate and household sectors; and

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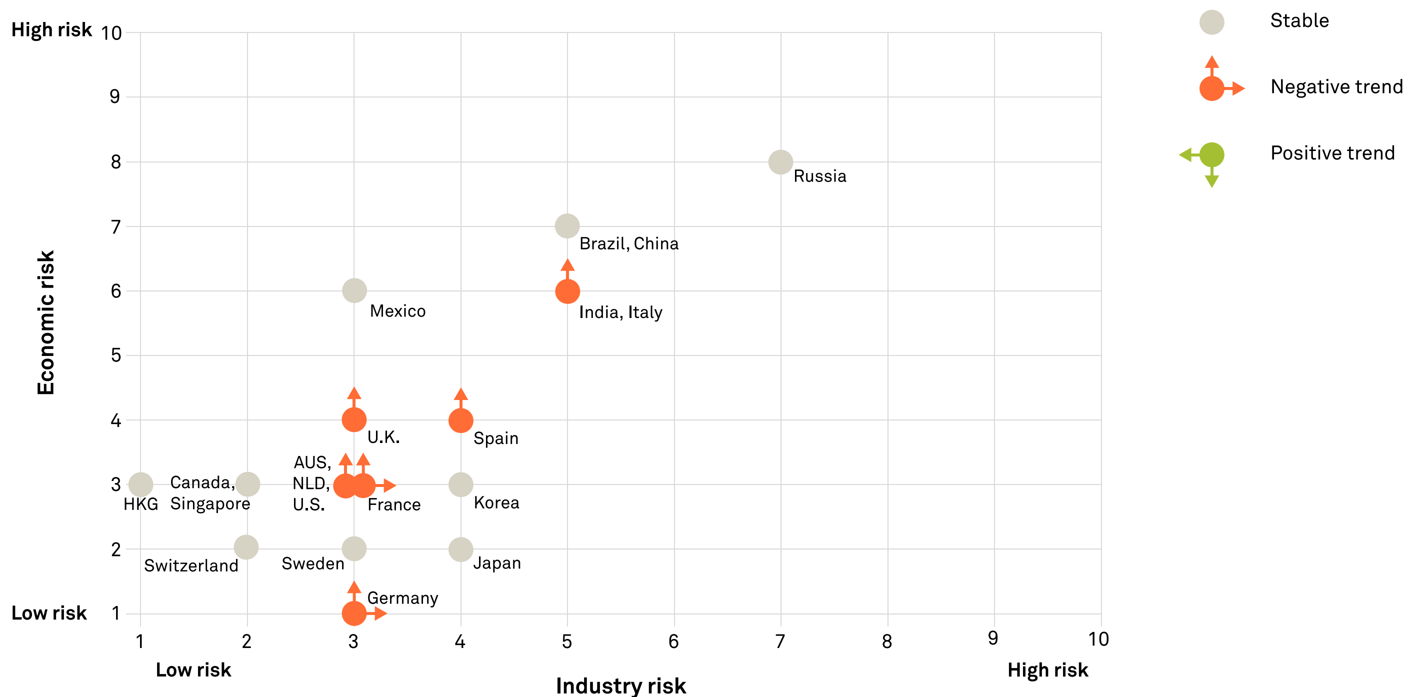
- The likelihood, in our base-case scenario, of a 5.9% rebound in global GDP in 2021 after a sharp contraction by 2.4% this year, even if this contraction and ensuing recovery varies considerably between countries.

Our outlook on banks has turned sharply more negative since late April. This reflected the revision of our macroeconomic forecasts, in which our economists materially worsened their assumptions for GDP contraction this year (see table 1). We now assume a more gradual recovery in many countries, with continued downside risk to this base-case scenario (see "Global Credit Conditions: Rising Credit Pressures Amid Deeper Recession, Uncertain Recovery," published April 22, 2020, on RatingsDirect).

Chart 1

BICRA Scores And Economic And Industry Risk Trends



A BICRA (Banking Industry Country Risk Assessment) is scored on a scale from 1 to 10, ranging from the lowest-risk banking systems (group 1) to the highest-risk (group 10). AUS--Australia. HKG--Hong Kong SAR. NLD--Netherlands. Data as of June 10, 2020.
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S&P Global Ratings acknowledges a high degree of uncertainty about the rate of spread and peak of the coronavirus outbreak. Some government authorities estimate the pandemic will peak about midyear, and we are using this assumption in assessing the economic and credit implications. We believe the measures adopted to contain COVID-19 have pushed the global economy into recession (see our macroeconomic and credit updates here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

Across the regions, public authorities view their banking systems as a conduit for economic and monetary policies, aiming to reduce the immediate impact of the economic stop associated with measures to contain the coronavirus. They have implemented a broad array of measures to incentivize banks to continue lending and show flexibility toward struggling customers. In return, banking systems are receiving massive liquidity support, and regulations are being relaxed

temporarily (see "Bank Regulatory Buffers Face Their First Usability Test," published June 11, 2020). Nevertheless, some governments will have less latitude to provide support.

Banks' creditworthiness ultimately remains a function of the economies they serve. Our current expectation of a strong rebound in most markets in 2021 suggests that short-term forbearance activity at this stage may limit credit losses later. But the long-term stress many customers experience will, over time, flow through to banks' profit-and-loss statements. The degree to which banks' financial strength can accommodate the dip prior to the forecast rebound will also be a key rating consideration.

In determining which bank ratings could be affected the most, we take into account the headroom within individual bank ratings for some deterioration in their credit metrics as well as their relative exposure to the most vulnerable sectors and customers. We also consider the relative effectiveness of their public authorities in curbing the credit impact on customers and supporting a rapid rebound once the situation abates. Finally, we take into account how sovereign support factors influence ratings, and how subsidiaries fare in the context of group rating considerations.

The bank rating actions we took at the start of the pandemic were in jurisdictions and on entities most immediately affected by the evolving scenario, with the oil shock in many cases amplifying the expected impact of the containment measures. In late April and early May, we took actions (mainly outlook revisions) more reliant on longer-term considerations. For banking industries that entered this crisis with structurally weak profitability, such as many in Western Europe, one long-term consequence of the pandemic will likely be that rates stay even lower for even longer, therefore tilting the outlook to a more negative bias. This could occur even if asset quality deterioration remains contained or short-lived on the back of support measures. Once authorities relax the containment measures, more structural measures at system or entity level to improve margins and efficiency may therefore be key to supporting the credit profiles of many banks globally. Moreover, the potentially sharp rise in credit loss provisions could hit the capital positions of banks with weak profitability more immediately than those generating more comfortable earnings.

Slowdown In Rating Actions Since Early May

Since we last updated this report on May 7, 2020, negative rating momentum has slowed down materially: we have taken 34 negative rating actions on banks, of which 19 outlook changes (see Appendix 1: COVID-19 And Oil-Shock-Related Bank Rating Actions As Of June 10, 2020). Downgrades were primarily driven by deteriorating macroeconomic environments and sovereign-related factors in South Africa (see "Various Rating Actions Taken On South African Banks Following Sovereign Downgrade," published May 7, 2020) and in Argentina (see "Argentine Banks Downgraded On Tighter Controls On Foreign Exchange Markets, Outlook Remains Negative," published May 8, 2020). We revised the outlooks on several Japanese regional banks (in addition to five downgrades) and Finnish banks to reflect our view that the economic slowdown will place additional pressure on earnings and asset quality.

We also took negative rating actions on two globally systemic entities (downgrade of our rating on HSBC Holdings PLC and outlook revision on our rating on Societe Generale) where the stressed economic conditions are exerting additional pressure on pre-existing restructuring efforts.

Between the publication of the original version of this report on April 22, 2020 and the update on May 7, 2020, we had seen--as we expected--a surge in rating actions (see chart 2). During that period, we took 80 rating actions on banks, 91% of which were outlook revisions. One-half of these were on Western European banks (see "How COVID-19 Risks Prompted European Bank Rating Actions," published April 29, 2020). The remainder included actions on 13 midsize U.S. banks (see

"Outlooks On 13 U.S. Banks Revised To Negative Due To Economic Downturn From COVID-19," published May 4, 2020), as well as the four Japanese mega banks and three Indonesian banks, among other actions.

Chart 2

Oil Shock Led The First Wave Of Actions, Lower Forecasts Led The Second One

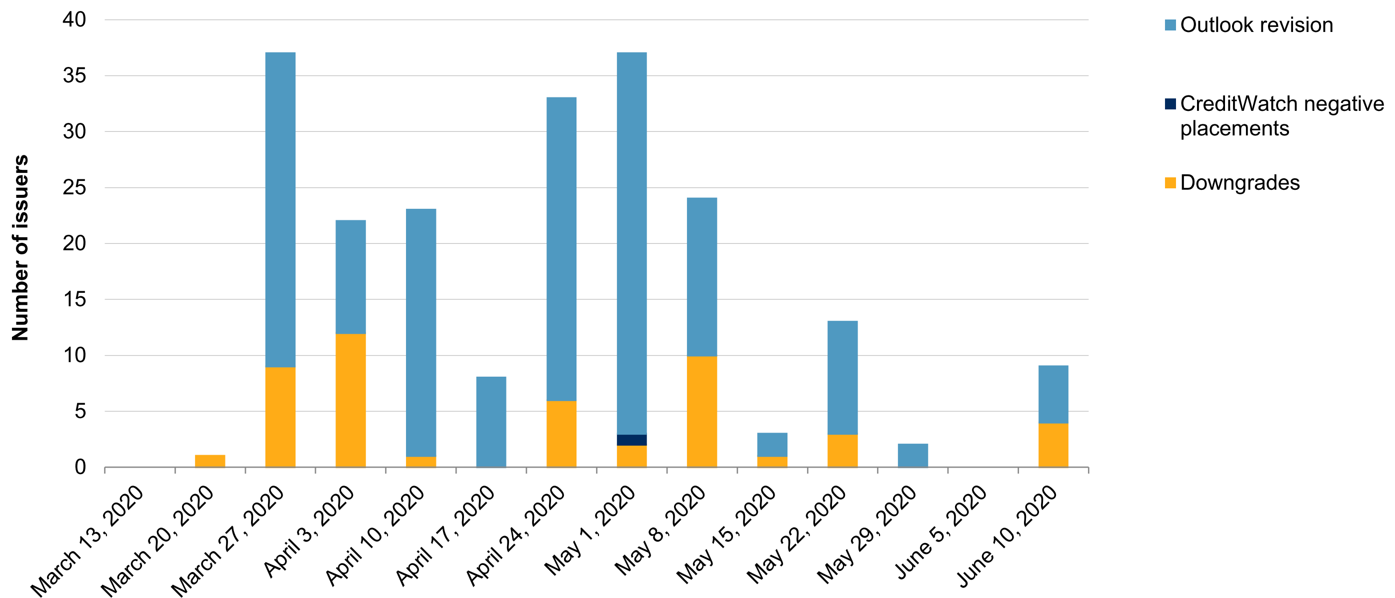

Chart refers to rating actions at issuer level. If an issuer has had multiple rating actions since March 9, 2020, the chart reflects the most rating action date. Data as of June 10, 2020. Source: S&P Global Ratings Research.
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Of the 212 ratings actions--including outlook revisions--we have taken on banks related to COVID-19 and/or the oil shock since the start of the pandemic until June 10, 162 (or 76%) were outlook revisions, one was a CreditWatch Negative, and 49 (23%) were downgrades (see chart 3). The vast majority of bank downgrades to date have occurred in jurisdictions in which the oil shock also contributed materially to our expectation of weakened operating conditions for banks (see, for example, "21 Mexican Financial Institutions Downgraded On Same Action On Sovereign And Increasing Economic Risks For The Sector," "Various Rating Actions On Nigerian Banks Following Sovereign Downgrade; Outlooks Stable," "Ratings On Two Kuwaiti Banks Lowered On Weaker Support Assumption," and "Two Trinidadian Banks Downgraded To 'BBB-/A-3' From 'BBB/A-2' On Lower Hydrocarbon Prices And COVID-19 Outbreak") or on the back of other sovereign actions. In countries little affected by the oil shock, our bank rating actions have mainly consisted of outlook revisions, although we don't rule out some future downgrades.

Chart 3

Outlook Revisions Dominate COVID-19 And Oil Shock-Related Bank Rating Actions
Actions as of June 10, 2020

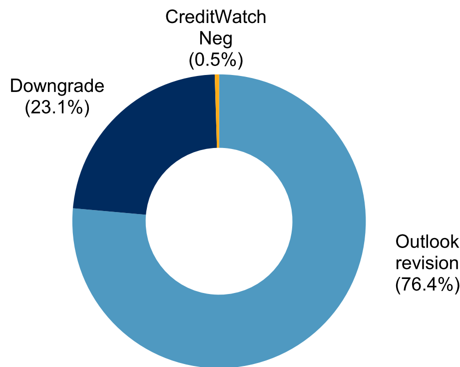

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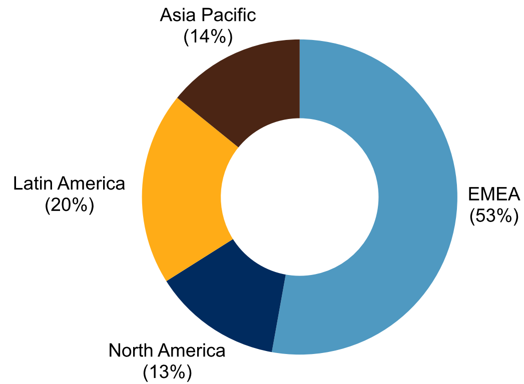
Chart 4

Regional Split Bank Rating Actions Linked To COVID-19 And The Oil Shock
Actions as of June 10, 2020



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Banks Generally More Resilient Than Corporates, But Not Immune

We have lowered our ratings on a smaller proportion of banks than on most other corporate sectors. This is not just because of the support that banks and their customers are receiving, but also because bank ratings on average tend to be higher than most nonfinancial corporates and non-bank financial institutions. These higher ratings imply less sensitivity to a deterioration in their operating environment.

Added to this, coronavirus containment measures are hitting the cash flows of a number of nonfinancial corporate sectors very rapidly and very hard. What is more, we entered this economic downturn after years in which corporate debt built up globally. By contrast, most banks tend to benefit from some diversification in their loan books, a stock of loans that continue to provide relative revenue stability, and access to central bank funding if needed. As of mid-May, "weakest links" (issuers rated 'B-' or lower with negative outlooks or ratings on CreditWatch with negative implications) represented 26% of speculative-grade nonfinancial corporate entities globally, an all-time high level. We expect some downgrades at these rating levels will lead to defaults, including in the form of distressed exchanges. Inevitably, a higher proportion of stressed corporates will affect banks' financial strength.

Why Bank Ratings Have Been Relatively Resilient So Far

The first factor underpinning the resilience of bank ratings is our base-case scenario of an only relatively short economic contraction--albeit a very severe one. Under our current base case, we see global GDP falling by 2.4% this year, with the U.S. and eurozone contracting 5.2% and 7.3%, respectively, (see "COVID-19 Deals A Larger, Longer Hit To Global GDP," published April 16, 2020). We expect global growth to rebound to 5.9% in 2021 (see table 1).

Table 1

Global GDP Growth Forecasts

	--Q1 CCC--		--April 16, 2020 revision--		
(%)	2019	2020	2020	2021	2022
U.S.	2.3	(1.3)	(5.2)	6.2	2.5
Eurozone	1.2	(2.0)	(7.3)	5.6	3.7
Germany	0.6	(1.9)	(6.0)	4.3	3.3
France	1.3	(1.7)	(8.0)	6.1	4.5
Spain	2.0	(2.1)	(8.8)	5.1	4.3
Italy	0.2	(2.6)	(9.9)	6.4	3.2
U.K.	1.4	(2.0)	(6.5)	6.0	3.2
China	6.1	2.9	1.2	7.4	4.7
India*	5.3	3.6	1.8	7.5	6.5
World	2.9	0.4	(2.4)	5.9	3.9

*Fiscal year ending March. CCC--Credit Conditions Committee. Sources: S&P Global Economics and Oxford Economics.

The balance of risks remains on the downside, as much could go wrong with our baseline path on the health, economic, and policy fronts. That said, infection curves are flattening in a number of regions, and the focus has turned to the recovery. Its length and pace will depend on the combination of health and economic policies, the response of individuals and firms, and the condition of the labor market and small and midsize enterprises (SMEs). We assume that the massive liquidity support provided by central banks around the world will continue to prove effective in curbing funding and liquidity risks for banks and financial markets in general in most jurisdictions. These include the Federal Reserve's $2.3 trillion lending programs and the European Central Bank's (ECB) €1.2 trillion increase in the volume of targeted longer-term refinancing operations (TLTROs), its €750 billion Pandemic Emergency Purchase Programme (PEPP), and its recently announced Pandemic Emergency Longer-Term Refinancing Operations (PELTROs).

What is more, unlike during the 2008 global financial crisis, banking sectors have not been a direct source of stress or an amplification of travails for the real economy. Indeed, some elements of monetary and fiscal policy responses, such as keeping low-cost credit flowing to households and businesses or applying forbearance measures on their loan repayments, rely on operationally effective and robust banking systems for their delivery.

Most banking sectors have gradually emerged from the financial crisis better capitalized, better funded, and more liquid. We estimate, for instance, that the capital base of the largest banks about doubled over the past 10 years. According to the Bank for International Settlements (BIS), between June 30, 2011, and June 20, 2019, the Common Equity Tier 1 capital of the largest 100 banks increased by 98%, or by around €1.9 trillion. This comes on top of a material derisking of a number of banks' exposures during that period. Comparable progress has been made in terms of bank liquidity.

Technology has also been an ally of banks in this crisis. Despite geographic variations, banks have for years been investing in their digital transformation and adopting new technologies to meet customers' evolving expectations and--in some cases--reduce costs. In a context of social-distancing requirements, this has enabled most banks to transition a large part of their operations away from office and branch environments, while continuing to transact with customers. Indeed when lockdown measures are lifted, given customers' likely sustained caution

on social distancing and increased comfort using digital channels, the pandemic may add momentum to the already rapid shift away from branch-based interactions (see Social Distancing Spurs Digital Banking In Asia-Pacific, published on June 3, 2020).

Despite these improvements, coming into this crisis our ratings on many banks were constrained by structurally weak profitability (for example in Europe and Japan) and the expectation, at some point, of a turn in the credit cycle, even if we certainly didn't foresee a turn of this nature and velocity. As a result, we believe that most of our bank ratings were positioned to anticipate some deterioration in their operating environment and credit metrics.

What To Look Out For

Our central scenario is that we will unlikely lower the ratings on the majority of banks across jurisdictions in the near term as a result of the COVID-19 pandemic. This is because government support packages will cushion the impact on households and corporate borrowers and, in turn, banks. That said, the risks to our baseline macroeconomic forecast remain firmly on the downside since the translation from health outcomes to economic variables are highly uncertain. The contours of the recovery, in particular, are still hard to predict. We have therefore increased the number of entities and geographies for which we signal material downside risk to our base case. Note that a negative outlook typically signals at least a one-in-three chance of a downgrade within the next 24 months for banks with ratings 'BBB-' or above and within the next 12 months for banks rated below that level. In contrast, CreditWatch placements typically signal a more imminent likelihood of rating changes.

We could take further negative rating actions if we expect the cyclical economic recovery to be substantially weaker or delayed, as this would imply a far more negative effect on bank credit strength. Actions could also follow idiosyncratic negative developments at individual banks. Some downgrades could occur in cases in which we expect a bank's metrics to move durably outside our rating outlook drivers. We will follow with interest the second quarter results of banks, although we believe they will only shed a partial light on the relative impact of the pandemic of individual banks.

Also factored into our negative outlook bias is the likelihood of durable pressure that many banks will experience on their financial performance. Once the dust settles and economies around the world recover, the earnings' recovery for banks is unlikely to be as sharp as the GDP rebound from this crisis. Many banks will face customers that may be prone to deleverage, a cost of risk that will likely be well above pre-COVID levels, and lower rates for even longer. All these factors will likely durably dent earnings that were already feeble in some regions at the onset of the COVID-19 pandemic. They will also force many banks to undertake a further round of structural measures to address chronic performance issues.

The pandemic is seemingly prompting a greater number of banks to focus on a broader stakeholder approach, beyond the immediate and—potentially--narrower interests of their shareholders. The coronavirus pandemic is highlighting why stakeholders matter (see "COVID-19: A Test Of The Stakeholder Approach," published April 21, 2020). Insufficient consideration paid to all stakeholders in decision-making is backfiring on a number of companies. In contrast, other businesses are taking actions that may ultimately strengthen employee engagement, brand, and reputation. It is still too early to foresee how durable some of these changes may be for banks, but also what their implications for instance on their longer-term ability to implement measures to shore up their profitability.

We will also monitor the long-term effect of the current relaxation of various bank regulations, for instance in terms of capital buffers and forbearance. The short-term impact over the next few

months is likely to be positive for banks (see "Bank Regulatory Buffers Face Their First Usability Test," published June 11, 2020). It should enable them to maneuver through the worst part of the crisis, and in line with the original intentions of these regulations. Chiefly, it gives banks more flexibility to manage the immediate--supposedly short-lived, but acute--crisis.

But it is still too early to predict whether some of these changes could become more durable. If so, a long-term term weakening in banks' capital and liquidity targets, or less transparency in recognizing bad debt and delays in adequately provisioning for it, could lead to durably weaker balance sheets and erode investor confidence. A weakened prospective capitalization of banks would affect a number of ratings over time, both in developed and emerging markets.

Furthermore, the next few quarters are likely to show up significant differences between banks in the way they book provisions against future credit losses. The strongest and more conservative ones are likely to be faster in recognizing weaker exposures and provisioning for future potential problems that would be revealed later for others. We are likely to see great inconsistency in the way banks report their bad debt in 2020. We may consider less traditional metrics, such as the number or volume of loan extensions, and compare provisioning levels by lending type and geography in forming a holistic view of banks' relative asset quality and adequacy of provisioning.

As illustrated in first-quarter results, most banks in the U.S. are being forced to take some of the largest provisions, all else equal, because of the Current Expected Credit Losses (CECL) accounting standard. CECL requires banks to set reserves for expected lifetime losses on their loans. As banks increase their expectations for those losses, they may have to increase reserves markedly. While that weighs on earnings and capital initially, it should mean their provisions will be lower in future periods than they otherwise would have been. We expect sustained high loan-impairment charges in second-quarter results in most jurisdictions. Whether this amounts to a further surge, or rather a top-up, will likely vary from bank to bank, contingent on the prudence that management exercised in first-quarter results, the effectiveness of government fiscal support for borrowers, and banks' idiosyncratic underwriting performance.

Most fundamentally, the COVID-19 pathway varies markedly across jurisdictions and is difficult to predict. This in turn will play out differently for banks' financial strength. For example, the GDP shock following the onset of COVID-19 took hold quickly in China but is now stabilizing. By contrast, in India, the GDP shock took longer to manifest itself but appears severe and will test the resilience of ratings on domestic financial institutions.

Which Banks Are More Exposed To Rating Actions?

Differences in the proportion of negative outlooks (see chart 4) highlight the jurisdictions most likely to see changes in ratings. Factors we consider in determining whether the ratings on a bank are exposed to material downside risk in the present context include:

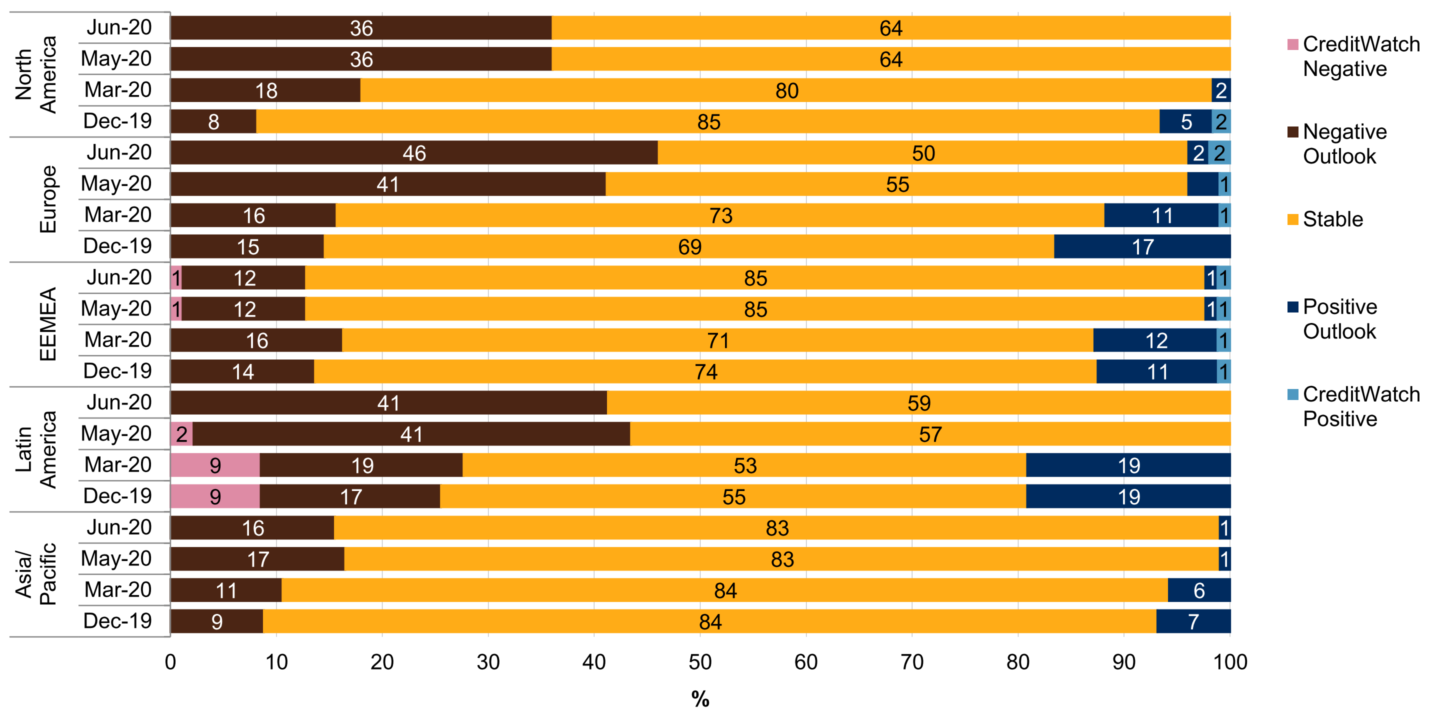
- The current rating level, including to what extent there is room within it for a deterioration in credit metrics.
- The relative exposure of the bank and the jurisdiction in which it is based to COVID-19-related downside risks and the oil shock. This includes exposure to hard hit industries (such as transportation, tourism, oil and gas, gaming, lodging, restaurants, and transport sectors) or types of lending (such as SMEs, leveraged loans, commercial real estate, and unsecured consumer loans). Banks' relative exposure to possible fund outflows (as is the case in certain emerging markets) or concentration risk to single name exposures or particular industries may also exacerbate issuers' vulnerabilities.
- The ability and willingness of the authorities to provide support to their banking systems and

banks' customers, and our expectation of the effectiveness of these measures in reducing the short-term impact while laying the foundations for a rapid recovery of the economy.

Given the various links between sovereign and bank ratings (such as government support, strength of the economy, exposure to sovereign debt), some ratings actions (including outlook changes) may follow similar actions on sovereign ratings. This can occur, for instance, in banking systems that receive rating uplift for government support, as was the case in the recent outlook changes on a number of systemically important banks in Australia and Thailand on the back of similar actions on these sovereigns. Our bank ratings may also move independently from such sovereign actions, especially given the differences in the risks considered by sovereign and bank ratings. Bank ratings, furthermore, tend to be lower than those on sovereigns, and lower ratings indicate a greater vulnerability to shifts in economic and business conditions.

Chart 5

Outlook Bias Now Firmly Negative, But Slower Momentum Since Early May



Data as of June 4, 2020. EEMEA--Eastern Europe, Middle East, and Africa. Source--S&P Global Ratings.

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Concentrations in business models and exposures can increase banks' sensitivity to a deterioration in their operating environment. We have, for instance, revised our outlooks on a number of regional U.S. and Italian banks to reflect these potential vulnerabilities (see "Six U.S. Regional Banks Outlooks Revised To Negative On Higher Risks To Energy Industry," published March 27, 2020). We could in a number of markets see further differentiation in our rating actions between larger and less diversified players.

The relative position of banks at the onset of the crisis will also drive some differences in their

vulnerabilities to the unfolding stress scenario. In terms of profitability, U.S. banks and many Asia-Pacific banks (ex-Japan) entered this period in a stronger position than in many other jurisdictions, which should give them a somewhat better ability to absorb earnings pressures. Still, even for U.S. banks, ultra-low interest rates will weigh meaningfully on profitability.

Similarly, variations in asset quality at the onset of the crisis may offer some jurisdictions more buffer for a deterioration in metrics. Not affected by the global financial crisis to the same extent as some other regions, certain large banks in Asia-Pacific, for instance, demonstrated consistently strong metrics, leading into the COVID-19 pandemic, even if the asset quality of most peers in all regions had been on an improving trajectory in recent years.

Early on in the pandemic, the vast majority of the rating actions we took (including outlook revisions) on banks were in emerging markets. This reflected generally lower ratings and the specificities of some of these banking systems. Based the material downward revision of our macroeconomic forecasts in April, which included a number of developed markets, and given some of the rising potential second-order effects, the gap in the proportion of rating actions between emerging and developed markets has decreased.

Asset Quality And Capital Outflows Will Expose Some Emerging Markets

In addition to asset quality deterioration that we expect for banks in developed markets, some banks in emerging markets are also exposed to additional sources of risks including:

- Heavy reliance on external funding amid changing investor sentiment.
- Concentration of their economies on specific sectors (such as the hospitality sector or industrial or service exports to developed countries) or commodities (such as oil or gas).
- Lack of government capacity to provide extraordinary support, weaker governance and efficiency of government institutions, and a higher likelihood of political and social tensions.

Against this backdrop, we expect banks in the Gulf Cooperation Council (GCC) countries will see significantly reduced revenue and credit growth in 2020. The sharp drop in oil prices and measures implemented by regional governments to contain transmission of COVID-19 will take a toll on important economic sectors. In response, GCC governments have also announced several measures to help corporates and retailers, including reduced taxes or requests for banks to extend additional subsidized loans to affected clients. We think that banks' financial profiles will deteriorate if the crisis worsens.

For certain emerging market banks, such as in Turkey, currency fluctuations will likely contribute to the deterioration in asset quality and capital, due to the still high level of foreign currency loans, in addition to the expected pressure on funding costs as banks continue to roll over external debt. In For South African banks, we expect an increase in cost of risk and a deterioration in asset quality because of the economic contraction. Local banks' dependence on external funding remains limited and the central bank is providing support to ensure normal functioning of money and interbank markets.

The oil price shock will also compound the impact of COVID-19 on Russian banks' asset quality and profitability. But we believe that funding will remain largely resilient, supported by their reliance mainly on domestic deposits, limited external funding needs and potential central bank liquidity support (see "Key Assumptions On Russian Banking Sector Remain Broadly Unchanged After Downward Revision Of Economic Prospects," published April 24, 2020).

We now forecast Latin American GDP will contract by a bit more than 5% this year, and rise slightly to over 3% in 2021. We therefore expect a shock on asset quality indicators, especially from SMEs and self-employed workers. Forbearance, as in most jurisdictions around the globe, will probably delay the full reflection of the deterioration on banks' balance sheets, and the impact will therefore likely be spread between 2020 and 2021. Nevertheless, banks in Latin America have benefitted from sound margins and profitability, and they are used to operating under volatile conditions.

As in several other emerging markets, governments in Latin America have offered some alleviating measures, but they could be insufficient. In Argentina, banks were already operating in a weak economy, and we see heightened risks of intervention in the financial and exchange markets that could increase refinancing risks (see Argentine Banks Downgraded On Tighter Controls On Foreign Exchange Markets, Outlook Remains Negative).

We may see a greater divergence in the performance of the larger and smaller banks in some of these markets. In Latin America, we believe that the major banks can cope with a temporary disruption in capital markets. This is because retail deposits provide the bulk of their funding, and because of limited debt maturities in 2020. Moreover, large banks are benefitting from a flight to quality, given that investors and depositors are shying away from the capital markets and funds. However, as in some other regions, smaller banks and financial companies will not benefit from this trend.

Similarly, we expect the impact of the crisis on the largest Chinese banks to be manageable, while smaller banks with aggressive risk appetites or high geographic concentration in heavily hit regions could see a material squeeze on their asset quality, performance, and capitalization (see "China Banks After COVID-19: Big Get Bigger, Weak Get Weaker," published April 17, 2020). Still in Asia Pacific, we also expect the banking systems of Indonesia and India to be among the hardest hit. Indonesia's role as a major commodity exporter and Indonesian corporates' reliance on foreign currency funding, with sizable unhedged portions, will weigh on asset quality (see "Outlook On Indonesian Banks Revised To Negative As Operating Conditions Worsen; Ratings Affirmed," published April 28, 2020). However, Indonesian banks' strong capitalization and reserves offer some succor.

India's complete lockdown, accompanied by forced closures of nonessential businesses and declining demand, are hurting the economy. We expect the sharp decline in India's GDP growth in the current year to lead to a sharp rise in nonperforming assets (see "Rating Actions On Some Indian Banks As Operating Conditions Worsen; Government Support Key For State-Owned Entities," published April 17, 2020).

Recent BICRA Revisions Highlight Our More Negative Outlook Bias

We have recently revised a large number of our systemwide assessments, banking industry country risk assessments (BICRAs). Since March 20, we have revised:

- Our economic risk trend to stable from positive for Bermuda, Cyprus, Georgia, Greece, Hungary, and Slovenia;
- Our economic risk trend to negative from stable for Australia, Austria, Belgium, Chile, Croatia, Finland, France, India, Indonesia, Ireland, Jamaica, Malta, Netherlands, Papua New Guinea, Poland, Spain, Trinidad and Tobago, U.K., U.S., United Arab Emirates and Uzbekistan;
- Our industry risk trend to stable from positive for Greece;
- Our industry risk trend to negative from stable for France, Turkey and United Arab Emirates;

- Our economic risk trend to negative from stable and our industry risk trend to stable from negative for Italy;
- Our BICRA to Group '5' from Group '4', our economic risk score to '6' from '5' and our economic risk trend to stable from negative for Mexico;
- Our BICRA to Group '6' from Group '5', our economic risk score to '7' from '6' and maintained a negative economic risk trend for South Africa;
- Our BICRA to Group '5' from Group '4', our economic risk trend to negative from stable, our industry risk score to '6' from '5' and our industry risk trend to stable from negative for Iceland;
- Our BICRA to Group '7' from Group '6', our industry risk score to '6' from '5', our industry risk trend to stable from negative, and our government support assessment to uncertain from supportive for Oman;
- Our economic risk score to '9' from '8' and our economic risk trend to stable from negative for Bolivia; and
- Our BICRA to Group '10' from Group '9', our economic risk score to '10' from '8', and our economic risk trend to stable from negative for Tunisia.

Appendix 1: COVID-19 And Oil-Shock-Related Bank Rating Actions As Of June 10, 2020

APAC

- Commonwealth Bank Of Australia Outlook To Negative Following Sovereign Outlook Revision; Ratings Affirmed At 'AA-/A-1+', April 8, 2020
- Macquarie Bank Ltd. Outlook Revised To Negative Following Sovereign Outlook Revision; Ratings Affirmed At 'A+/A-1', April 8, 2020
- National Australia Bank Outlook Revised To Negative Following Sovereign Action; Ratings Affirmed At 'AA-/A-1+', April 8, 2020
- Westpac Banking Corp. Outlook Revised To Negative Following Sovereign Outlook Revision; Ratings Affirmed At 'AA-/A-1+', April 8, 2020
- Australia and New Zealand Banking Group Outlook Revised To Negative Following Sovereign Action; Ratings Affirmed, April 8, 2020
- Outlooks On Bangkok Bank, Bank of Ayudhya Revised To Stable From Positive Following Sovereign Action; Ratings Affirmed, April 14, 2020
- Rating Actions On Some Indian Banks As Operating Conditions Worsen; Government Support Key For State-Owned Entities, April 17, 2020
- Outlook On Japan's Sumitomo Mitsui Trust Bank Revised Down To Stable As COVID-19 Stalls Gains; 'A/A-1' Ratings Affirmed, April 24, 2020
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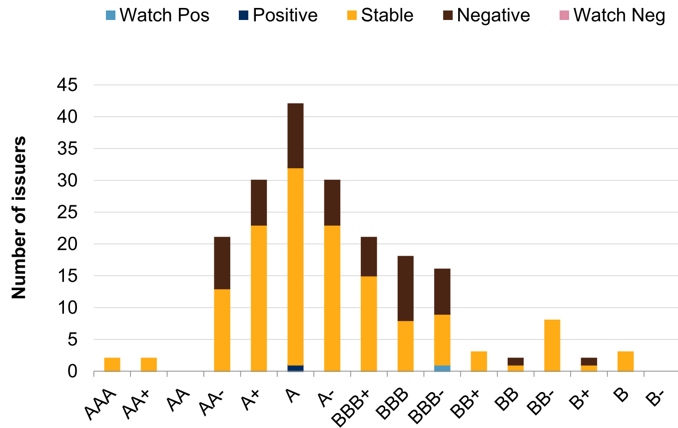
Appendix 2: Top 200 Banks

Chart 6



Data as of June 10, 2020.

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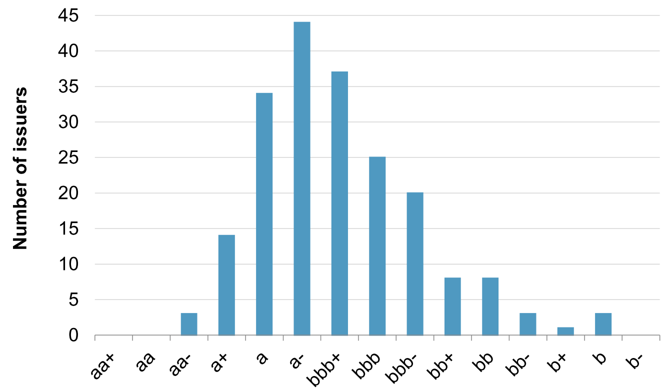
Chart 7



Data as of June 10, 2020.

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Table 2

Issuer Credit Ratings And Component Scores For The Top 200 Banks Globally

Country	Institution	Opco L-T ICR/Outlook	Group SACP or SACP
Australia			
	Australia and New Zealand Banking Group Ltd.	AA-/Negative	a
	Commonwealth Bank of Australia	AA-/Negative	a
	Macquarie Bank Ltd.	A+/Negative	a-
	National Australia Bank Ltd.	AA-/Negative	a
	Westpac Banking Corp.	AA-/Negative	a
Austria			
	Erste Group Bank AG	A/Stable	a
	Raiffeisen Bank International AG	A-/Negative	a-
Belgium			
	Belfius Bank SA/NV	A-/Stable	a-
	KBC Group N.V.*	A+/Stable	a
Brazil			
	Banco Bradesco S.A.	BB-/Stable	bbb-
	Banco BTG Pactual S.A.	BB-/Stable	bb-
	Banco do Brasil S.A	BB-/Stable	bbb
	Banco Nacional de Desenvolvimento Economico e Social	BB-/Stable	bbb-
	Caixa Economica Federal	BB-/Stable	bb
	Itau Unibanco Holding S.A.	BB-/Stable	bbb

Table 2

Issuer Credit Ratings And Component Scores For The Top 200 Banks Globally (cont.)

Country	Institution	Opco L-T ICR/Outlook	Group SACP or SACP
Canada			
	Bank of Montreal	A+/Stable	a
	Canadian Imperial Bank of Commerce	A+ /Stable	a-
	Desjardins Group	A+/Stable	a
	National Bank of Canada	A/Stable	a-
	Royal Bank of Canada	AA-/Stable	a+
	The Bank of Nova Scotia	A+/Stable	a
	Toronto-Dominion Bank	AA-/Stable	a+
Chile			
	Banco de Chile	A/Negative	a
China			
	Agricultural Bank of China Ltd.	A/Stable	bbb+
	Bank of China Ltd.	A/Stable	a-
	Bank of Chongqing Co. Ltd.	BBB-/Stable	bb+
	Bank of Communications Co. Ltd.	A-/Stable	bbb-
	China CITIC Bank Co. Ltd.	BBB+/Stable	bb
	China Construction Bank Corp.	A/Stable	bbb+
	China Merchants Bank Co. Ltd.	BBB+/Stable	bbb
	China Minsheng Banking Corp. Ltd.	BBB-/Stable	bb
	Guangzhou Rural Commercial Bank Co. Ltd.	BBB-/Stable	bb+
	Hua Xia Bank Co. Ltd.	BBB-/Stable	bb
	Industrial and Commercial Bank of China Ltd.	A/Stable	bbb+
	Postal Savings Bank Of China Co. Ltd.	A/Stable	bbb
	Shanghai Pudong Development Bank Co. Ltd.	BBB/Stable	bb
	Shanghai Rural Commercial Bank Co. Ltd.	BBB/Stable	bb+
Colombia			
	Bancolombia, S. A. y Companias Subordinadas	BB+/Stable	bb+
Denmark			
	Danske Bank A/S	A/Stable	a-
	Jyske Bank A/S	A/Stable	a-
	Nykredit Realkredit A/S	A+/Stable	a-
Finland			
	Nordea Bank Abp	AA-/Negative	a+
	OP Corporate Bank PLC	AA-/Negative	a+

Table 2

Issuer Credit Ratings And Component Scores For The Top 200 Banks Globally (cont.)

Country	Institution	Opco L-T ICR/Outlook	Group SACP or SACP
France			
	BNP Paribas	A+/Negative	a
	BPCE	A+/Negative	a
	Credit Mutuel Group	A/Negative	a
	Credit Agricole Group	A+/Negative	a
	Dexia Credit Local	BBB/Stable	bb
	La Banque Postale	A/Stable	bbb+
	RCI Banque	BBB/Negative	bbb-
	Societe Generale	A/Negative	bbb+
Germany			
	Commerzbank AG	BBB+/Negative	bbb
	Cooperative Banking Sector Germany	AA-/Negative	aa-
	DekaBank Deutsche Girozentrale	A+/Negative	bbb
	Deutsche Bank AG	BBB+/Negative	bbb
	Hamburg Commercial Bank AG	BBB/Negative	bbb-
	S-Finanzgruppe Hessen-Thueringen	A/Negative	a
	Volkswagen Bank GmbH	A-/Negative	a-
Greece			
	Alpha Bank A.E.	B/Stable	b
	Eurobank Ergasias S.A	B/Stable	b
	National Bank of Greece S.A.	B/Stable	b
Hong Kong			
	The Bank of East Asia Limited	A-/Stable	bbb+
	The Hongkong and Shanghai Banking Corp. Ltd.	AA-/Stable	a+
Hungary			
	OTP Bank PLC	BBB/Stable	bbb
India			
	Axis Bank Ltd.	BBB-/Negative	bbb-
	HDFC Bank Ltd.	BBB-/Stable	bbb+
	ICICI Bank Ltd.	BBB-/Negative	bbb-
	Kotak Mahindra Bank	BBB-/Stable	bbb-
	State Bank of India	BBB-/Stable	bbb-
Indonesia			
	PT Bank Mandiri (Persero)	BBB-/Negative	bbb-
	PT Bank Negara Indonesia (Persero) Tbk.	BBB-/Negative	bbb-

Table 2

Issuer Credit Ratings And Component Scores For The Top 200 Banks Globally (cont.)

Country	Institution	Opco L-T ICR/Outlook	Group SACP or SACP
	PT Bank Rakyat Indonesia (Persero) Tbk.	BBB-/Negative	bbb-
Ireland			
	AIB Group PLC*	BBB+/Negative	bbb
	Bank of Ireland Group PLC*	A-/Negative	bbb
Israel			
	Bank Hapoalim B.M.	A/Stable	a-
	Bank Leumi le-Israel B.M.	A/Stable	a-
Italy			
	Iccrea Banca SpA	BB/Negative	bb
	Intesa Sanpaolo SpA	BBB/Negative	bbb
	Mediobanca SpA	BBB/Negative	bbb
	UBI Banca SpA	BBB-/Watch Pos	bbb-
	UniCredit SpA	BBB/Negative	bbb
Japan			
	Chiba Bank Ltd.	A-/Stable	a-
	Development Bank of Japan Inc.	A/Stable	bbb
	Hachijuni Bank Ltd.	A-/Stable	a-
	Japan Post Bank Co. Ltd.	A/Stable	bbb+
	Kyushu Financial Group Inc.*§	A-/Negative	bbb+
	Mitsubishi UFJ Financial Group Inc.*	A/Stable	a
	Mizuho Financial Group Inc.*	A/Stable	a
	Nomura Holdings Inc.*	A-/Stable	bbb
	Norinchukin Bank	A/Negative	bbb+
	Resona Bank Ltd.	A/Stable	bbb+
	Shinkin Central Bank	A/Stable	bbb+
	Shinsei Bank Ltd.	BBB/Stable	bbb-
	Shizuoka Bank Ltd.	A-/Stable	a-
	Sumitomo Mitsui Financial Group Inc.*	A/Stable	a
	Sumitomo Mitsui Trust Bank Ltd.	A/Stable	a-
Jordan			
	Arab Bank Plc	B+/Stable	bb+
Korea			
	Industrial Bank of Korea	AA-/Stable	bbb+
	KEB Hana Bank	A+/Stable	a-
	Kookmin Bank	A+/Stable	a-

Table 2

Issuer Credit Ratings And Component Scores For The Top 200 Banks Globally (cont.)

Country	Institution	Opco L-T ICR/Outlook	Group SACP or SACP
	Nonghyup Bank	A+/Stable	bbb+
	Shinhan Bank	A+/Stable	a-
	Woori Bank	A/Positive	bbb+
Kuwait			
	National Bank of Kuwait S.A.K.	A/Stable	a-
Luxembourg			
	Banque et Caisse d'Epargne de l'Etat, Luxembourg	AA+/Stable	a+
Malaysia			
	CIMB Bank Bhd.	A-/Stable	a-
	Maybank	A-/Stable	a-
	Public Bank Bhd.	A-/Stable	a
Mexico			
	Banco Inbursa S.A. Institucion de Banca Multiple Grupo Financiero Inbursa	BBB/Negative	bbb+
	Banco Mercantil del Norte S.A. Institucion de Banca Multiple Grupo Financiero Banorte	BBB/Negative	a-
	Banco Nacional de Mexico S.A.	BBB/Negative	a-
	BBVA Bancomer	BBB/Negative	a-
Netherlands			
	ABN AMRO Bank N.V.	A/Negative	a-
	BNG Bank N.V.	AAA/Stable	a+
	Cooperatieve Rabobank U.A.	A+/Negative	a
	ING Groep N.V.*	A+/Stable	a
Norway			
	DNB Bank ASA	AA-/Stable	a+
Poland			
	Bank Pekao	BBB+/Stable	bbb+
Portugal			
	Banco Comercial Portugues S.A.	BB/Stable	bb
Qatar			
	Qatar Islamic Bank Q.P.S.C.	A-/Stable	bbb-
	Qatar National Bank (Q.P.S.C.)	A/Stable	bbb
	The Commercial Bank (P.S.Q.C.)	BBB+/Stable	bb+
Russia			
	Alfa-Bank JSC	BB+/Stable	bb+
	Gazprombank JSC	BB+/Stable	bb-

Table 2

Issuer Credit Ratings And Component Scores For The Top 200 Banks Globally (cont.)

Country	Institution	Opco L-T ICR/Outlook	Group SACP or SACP
	VTB Bank JSC	BBB-/Stable	bb-
Saudi Arabia			
	Al Rajhi Bank	BBB+/Stable	bbb+
	Arab National Bank	BBB+/Stable	bbb
	Banque Saudi Fransi	BBB+/Stable	bbb
	Riyad Bank	BBB+/Stable	bbb+
	Samba Financial Group	BBB+/Stable	bbb+
	The National Commercial Bank	BBB+/Stable	bbb+
Singapore			
	DBS Group Holdings Ltd.	AA-/Stable	a
	Oversea-Chinese Banking Corp. Ltd.	AA-/Stable	a
	United Overseas Bank Ltd.	AA-/Stable	a
South Africa			
	FirstRand Bank Ltd.	BB-/Stable	bbb-
	Nedbank Ltd.	BB-/Stable	bbb-
Spain			
	Banco Bilbao Vizcaya Argentaria S.A.	A-/Negative	a-
	Banco de Sabadell S.A.	BBB/Negative	bbb
	Banco Santander S.A.	A/Negative	a
	Bankinter S.A.	BBB+/Negative	bbb+
	BFA Tenedora de Acciones, S.A.U.*	BBB/Stable	bbb
	CaixaBank S.A.	BBB+/Stable	bbb+
	Kutxabank S.A.	BBB/Stable	bbb
Sweden			
	Skandinaviska Enskilda Banken AB (publ)	A+/Stable	a
	Svenska Handelsbanken AB	AA-/Stable	a+
	Swedbank AB	A+/Stable	a+
Switzerland			
	Credit Suisse Group AG*	A+/Stable	a-
	PostFinance AG	AA+/Stable	a+
	UBS Group AG*	A+/Stable	a
	Zuercher Kantonalbank	AAA/Stable	aa-
Taiwan			
	Bank of Taiwan	A+/Stable	a-
	Cathay United Bank Co. Ltd.	A-/Stable	bbb+

Table 2

Issuer Credit Ratings And Component Scores For The Top 200 Banks Globally (cont.)

Country	Institution	Opco L-T ICR/Outlook	Group SACP or SACP
	Chang Hwa Commercial Bank Ltd.	A-/Stable	bbb+
	CTBC Bank Co. Ltd.	A/Stable	a-
	E.SUN Commercial Bank Ltd.	A-/Stable	bbb+
	First Commercial Bank Ltd.	A-/Stable	bbb+
	Hua Nan Commercial Bank Ltd.	A-/Stable	bbb+
	Land Bank of Taiwan	A-/Stable	bbb
	Mega International Commercial Bank Co. Ltd.	A/Stable	a-
	Taipei Fubon Commercial Bank Co. Ltd.	A-/Stable	bbb+
	Taiwan Cooperative Bank Ltd.	A/Stable	bbb+
	The Shanghai Commercial & Savings Bank Ltd.	BBB+/Stable	bbb+
Thailand			
	Bangkok Bank Public Co. Ltd.	BBB+/Stable	bbb
	KASIKORNBANK PCL	BBB+/Stable	bbb-
	Krung Thai Bank Public Co. Ltd.	BBB/Stable	bb+
	Siam Commercial Bank Public Co. Ltd.	BBB+/Stable	bbb-
Turkey			
	Turkiye Is Bankasi AS	B+/Negative	b+
United Kingdom			
	Barclays PLC*	A/Negative	bbb+
	HSBC Holdings PLC*	A+/Stable	a
	Lloyds Banking Group PLC*	A+/Negative	a-
	Nationwide Building Society	A/Stable	a-
	Standard Chartered PLC*	A/Stable	a-
	The Royal Bank of Scotland Group PLC*	A/Negative	bbb+
United States			
	Ally Financial Inc.	BBB-/Negative	bbb
	Bank of America Corp.*	A+/Stable	a
	Bank of New York Mellon Corp.*	AA-/Stable	a+
	Capital One Financial Corp.*	BBB+/Negative	bbb+
	CIT Group Inc.*	BBB-/Negative	bbb-
	Citigroup Inc.*	A+/Stable	a-
	Citizens Financial Group, Inc.*	A-/Stable	a-
	Comerica Inc.*	A-/Negative	a-
	Fifth Third Bancorp*	A-/Stable	a-
	Huntington Bancshares Inc.*	A-/Stable	a-

Table 2

Issuer Credit Ratings And Component Scores For The Top 200 Banks Globally (cont.)

Country	Institution	Opco L-T ICR/Outlook	Group SACP or SACP
	JPMorgan Chase & Co.*	A+/Stable	a
	KeyCorp*	A-/Stable	a-
	M&T Bank Corp.*	A/Stable	a
	Morgan Stanley*	A+/Stable	a-
	MUFG Americas Holdings Corporation*	A/Stable	a-
	Northern Trust Corp.*	AA-/Stable	aa-
	PNC Financial Services Group, Inc. (The)*	A/Stable	a
	Regions Financial Corp.*	A-/Stable	a-
	State Street Corp.*	AA-/Stable	a+
	The Goldman Sachs Group Inc.*	A+/Stable	bbb+
	Truist Financial*	A/Stable	a
	U.S. Bancorp*	AA-/Stable	a+
	Wells Fargo & Co.*	A+/Stable	a
	Zions Bancorporation	BBB+/Negative	bbb+
United Arab Emirates			
	Abu Dhabi Commercial Bank	A/Negative	bbb+
	First Abu Dhabi Bank	AA-/Negative	a-
	Mashreqbank	A-/Negative	bbb

Data as of June 10, 2020. *Holding company; the rating reflects that on the main operating company. §SACP reflects that on the holding company. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

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