

## Standard & Poor's Puts Ratings On Eurozone Sovereigns On CreditWatch With Negative Implications

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FRANKFURT (Standard & Poor's) Dec. 5, 2011--Standard & Poor's Ratings Services today placed its long-term sovereign ratings on 15 members of the European Economic and Monetary Union (EMU or eurozone) on CreditWatch with negative implications.

We have also maintained the CreditWatch negative status of our long-term rating on Cyprus and placed its short-term ratings on CreditWatch with negative implications. The ratings on Greece have not been placed on CreditWatch. The ratings on the eurozone sovereigns are listed below.

Today's CreditWatch placements are prompted by our belief that systemic stresses in the eurozone have risen in recent weeks to the extent that they now put downward pressure on the credit standing of the eurozone as a whole.

We believe that these systemic stresses stem from five interrelated factors:

- (1) Tightening credit conditions across the eurozone;
- (2) Markedly higher risk premiums on a growing number of eurozone sovereigns, including some that are currently rated 'AAA';
- (3) Continuing disagreements among European policy makers on how to tackle the immediate market confidence crisis and, longer term, how to ensure greater economic, financial, and fiscal convergence among eurozone members;
- (4) High levels of government and household indebtedness across a large area of the eurozone; and

(5) The rising risk of economic recession in the eurozone as a whole in 2012. Currently, we expect output to decline next year in countries such as Spain, Portugal and Greece, but we now assign a 40% probability of a fall in output for the eurozone as a whole.

Our CreditWatch review of eurozone sovereign ratings will focus on three of the five key factors that form the core of our sovereign ratings methodology: the "political," "external," and "monetary" scores we assign to the governments in the eurozone (see "Sovereign Government Rating Methodology And Assumptions", published June 30, 2011). Our analysis of "political dynamics" will focus on both country-specific and eurozone-wide issues that appear to us to be limiting the effectiveness of efforts to resolve the market confidence crisis. Our analysis of "external liquidity" will focus on the borrowing requirements of both eurozone governments and banks. Our analysis of "monetary flexibility" will focus on ECB policy settings to address the economic and financial stresses the countries in the eurozone are increasingly facing.

We expect to conclude our review of eurozone sovereign ratings as soon as possible following the EU summit scheduled for Dec. 8 and 9, 2011. Depending on the score changes, if any, that our rating committees agree are appropriate for each sovereign, we believe that ratings could be lowered by up to one notch for Austria, Belgium, Finland, Germany, Netherlands, and Luxembourg, and by up to two notches for the other governments.

Our ratings on Greece (Hellenic Republic; CC/Negative/C) are not affected by today's actions, as a 'CC' rating under our rating definitions connotes our belief that there is a relatively high near-term probability of default.

We are publishing separate media releases with the rationale for each rating action on the 16 CreditWatch actions. We are also publishing the following article: "Credit FAQ: Factors Behind Our Placement of Eurozone Governments on CreditWatch".

Following today's CreditWatch listings, Standard & Poor's will issue separate media releases concerning affected ratings on the funds, government-related entities, financial institutions, insurance companies, public finance, and structured finance sectors in due course.

RATINGS LIST	To	From
Long-term ratings on CreditWatch negative		
Austria (Republic of) Sovereign Credit Rating	AAA/Watch Neg/A-1+	AAA/Stable/A-1+
Belgium (Kingdom of) Sovereign Credit Rating	AA/Watch Neg/A-1+	AA/Negative/A-1+
Finland (Republic of)		

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Sovereign Credit Rating AAA/Watch Neg/A-1+ AAA/Stable/A-1+

France (Republic of)

Sovereign Credit Rating AAA/Watch Neg/A-1+ AAA/Stable/A-1+

Germany (Federal Republic of)

Sovereign Credit Rating AAA/Watch Neg/A-1+ AAA/Stable/A-1+

Luxembourg (Grand Duchy of)

Sovereign Credit Rating AAA/Watch Neg/A-1+ AAA/Stable/A-1+

Netherlands (The) (State of)

Sovereign Credit Rating AAA/Watch Neg/A-1+ AAA/Stable/A-1+

Long- and short-term ratings on CreditWatch negative

Estonia (Republic of)

Sovereign Credit Rating AA-/Watch Neg/A-1+ AA-/Stable/A-1+

Ireland (Republic of)

Sovereign Credit Rating BBB+/Watch Neg/A-2 BBB+/Stable/A-2

Italy (Republic of)

Sovereign Credit Rating A/Watch Neg/A-1 A/Negative/A-1

Malta (Republic of)

Sovereign Credit Rating A/Watch Neg/A-1 A/Stable/A-1

Portugal (Republic of)

Sovereign Credit Rating BBB-/Watch Neg/A-3 BBB-/Negative/A-3

Slovak Republic

Sovereign Credit Rating A+/Watch Neg/A-1 A+/Positive/A-1

Slovenia (Republic of)

Sovereign Credit Rating AA-/Watch Neg/A-1+ AA-/Stable/A-1+

Spain (Kingdom of)

Sovereign Credit Rating AA-/Watch Neg/A-1+ AA-/Negative/A-1+

Short-term ratings on CreditWatch negative, long-term ratings still on CreditWatch negative

Cyprus (Republic of)

Sovereign Credit Rating BBB/Watch Neg/A-3 BBB/Watch Neg/A-3

RELATED CRITERIA AND RESEARCH

- Credit FAQ: Factors Behind Our Placement Of Eurozone Governments On

## *Standard & Poor's Puts Ratings On Eurozone Sovereigns On CreditWatch With Negative Implications*

CreditWatch, Dec. 5, 2011

- European Economic Outlook: Back in Recession, Dec. 1, 2011
- Why Trade Imbalances For Creditors As Well As Debtors In The Eurozone Are Weighing On Growth, Dec. 1, 2011
- Standard & Poor's RPM Measures The Eurozone's Great Rebalancing Act, Nov. 21, 2011
- Who Will Solve the Debt Crisis?, Nov. 10, 2011
- Sovereign Government Rating Methodology And Assumptions, June 30, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

The ratings on France, Germany, The Netherlands, Italy, and Belgium are unsolicited.

### **Additional Contact:**

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