

Benchmarks, Research, Data and Analytics

## S&P Report Looks At How The Banking Systems Of Malta And Luxembourg Differ From Cyprus

Publication date: 24-Apr-2013 09:31:27 EST

[View Analyst Contact Information](#)

**Contact Client Services**  
 1-877-SPCLIENT  
 1-877-772-5436  
**Call Tree Options**  
**Contact Us**

LONDON (Standard & Poor's) April 24, 2013--Standard & Poor's Ratings Services believes that the combination of factors behind Cyprus' difficulties is not currently replicated in other small, financially-focused eurozone economies. This is according to a report titled "**Small Countries, Big Banking Systems: How Malta And Luxembourg Differ From Cyprus**," published on April 23 on RatingsDirect.

The report examines the characteristics of the banking systems in Malta and Luxembourg, and contrasts them with that of Cyprus.

In our view, the Cypriot banking crisis was born on the asset, not the liability, side of banks' balance sheets. The banks didn't fail because of the provenance or the size of their customer deposits. In our view, similar to the Icelandic and Irish banks and the Spanish cajas before them, the Cypriot banks' difficulties are the result of their lending--not their borrowing--decisions. We believe vulnerabilities in the banking systems of Malta and Luxembourg do exist. However, in contrast to Cyprus, the assets of systemically relevant banks in both countries have retained their credit quality, and exposures to insolvent borrowers so far remain low and manageable.

The size of a banking system alone generally doesn't indicate the likelihood of failure, but it can be seen as a good measure of the potential costliness of a bailout. While banks in Malta and Luxembourg do take significant foreign deposits, foreign liabilities fund domestic assets only to a limited extent, in contrast to Cyprus. In our view, the size of systemically important institutions that the governments of Malta and Luxembourg would hypothetically need to support in a crisis is a fraction of the assets amassed by Cyprus' domestic banks.

The report is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://www.spcapitaliq.com). If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com). Ratings information can also be found on Standard & Poor's public Web site by using the Ratings search box located in the left column at [www.standardandpoors.com](http://www.standardandpoors.com). Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4009.

**Primary Credit Analyst:** Benjamin J Young, London (44) 20-7176-3574;  
[benjamin\\_young@standardandpoors.com](mailto:benjamin_young@standardandpoors.com)

**Secondary Contact:** Frank Gill, London (44) 20-7176-7129;  
[frank\\_gill@standardandpoors.com](mailto:frank_gill@standardandpoors.com)

**Analytical Group Contact:** SovereignEurope;  
[SovereignEurope@standardandpoors.com](mailto:SovereignEurope@standardandpoors.com)

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1) 212-438-7280 or by e-mail to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).

[Regulatory Affairs and Disclaimers](#) | [Terms of Use](#) | [Privacy Notice](#) | [Contact Us](#)

Copyright © 2013 Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

Show