S&P Global
Ratings

RatingsDirect®

Euroclear Bank S.A./N.V.

Primary Credit Analyst:
Taos D Fudji, Milan (39) 02-72111-276; taos.fudji@spglobal.com

Secondary Contact:
Giles Edwards, London (44) 20-7176-7014; giles.edwards@spglobal.com

Table Of Contents

Euroclear Bank S.A./N.V.

Major Rating Factors

Issuer Credit Rating
AA/Stable/A-1+

Business Risk

- Leading franchise in international securities settlement and depositary activity.
- Strong risk management and regulatory framework partly mitigates the high operational risks inherent in settlement and custody activities.
- Dynamic operating environment, requiring constant adaptation to mitigate potential threats and leverage opportunities.

Financial Risk

- Modest financial leverage.
- Exceptional liquidity position, aided by good cash flow generation and on-balance sheet liquid assets.
- Very strong capital ratios at Euroclear Bank, both on a regulatory and S&P model basis.

Clearing And Settlement Risks

- Well-diversified membership with good creditworthiness.
- Strong risk-management controls and track record of very low losses arising from operational and credit risks.

Outlook

The stable outlook reflects S&P Global Ratings' view that Euroclear group's creditworthiness will remain resilient. We expect that the group will maintain a low risk profile, satisfactory profitability, strong capitalization, and a leading position in securities settlement and associated post-trade activities, despite a highly competitive environment and structural changes in the European securities industry.

Downside scenario

We could lower the ratings in the coming 12-24 months in case of an unexpected deterioration in the group's very strong market position or an increase in its risk appetite. While we consider this exceptionally unlikely, we could also lower the rating on Euroclear Bank if we changed our view of its core status to the wider group.

Upside scenario

We consider an upgrade unlikely at this time, given the already high rating, increased debt, and potential medium-term challenges to the group's business model and competitive position arising from industry changes and economic developments.

Our Base-Case Scenario

Assumptions	Key Metrics

Assumptions

Euroclear group reported that the value of securities held on behalf of clients, transaction volumes, and outstanding collateral all increased in the first half of 2018. Our base-case forecast is of moderate earnings growth in 2018, and a broadly stable performance in 2019.

Key Metrics

	2017A	2018E	2019E
EBITDA margin (%)	43	43	43
Debt/EBITDA* (x)	1.1	2.0	1.9
EBITDA interest coverage (x)	44	18	14
FFO/debt (%)	92	37	37
FOCF/debt (%)	83	29	29

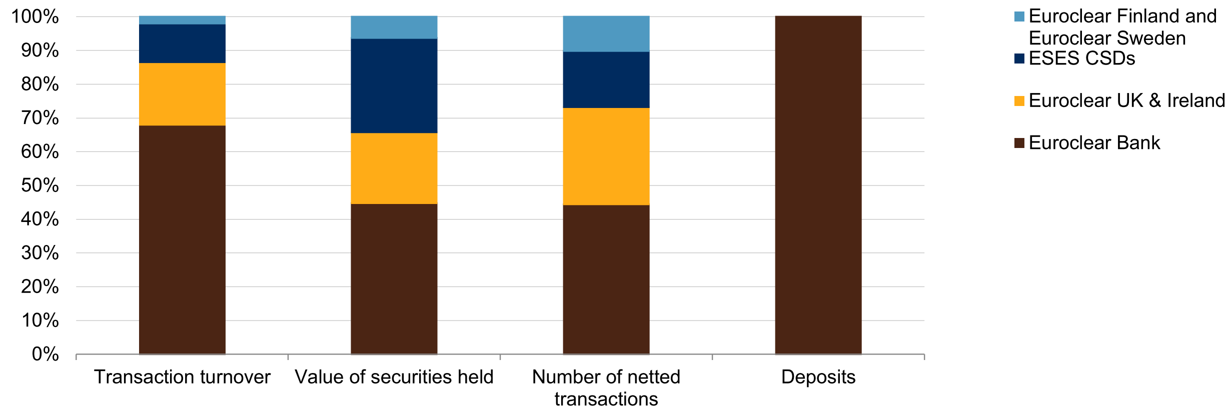
Source: S&P Global Ratings' calculations and projections. *Adjusted for operating leases. A--Actual. E--Estimate. FFO--Funds from operations. FOCF--Free operating cash flow. These metrics and those cited in other tables in this report are for the consolidated Euroclear group.

Company Description

The ratings on Euroclear Bank reflect our view of its core status to the broader Euroclear group, and the crucial role that the bank plays in the international securities markets. Euroclear Bank represents the majority proportions of the group's activity (see chart 1).

Chart 1

Euroclear Bank's Contribution To Euroclear Group In 2017



Sources: Euroclear, S&P Global Ratings' calculations. ESES--Euroclear Settlement of Euronext-zone Securities. CSDs--Central securities depositaries.

Euroclear is one of the world's largest providers of cross-border settlement services, covering domestic and international bonds, equities, and investment funds. Euroclear Bank also provides related activities such as asset servicing, securities lending and borrowing, collateral management, money transfer, and ancillary banking services. In addition to the bank's role as a leading international central securities depositary (ICSD), Euroclear operates the national central securities depositaries (CSDs) for seven countries in north-west Europe: Belgium, Finland, France, Ireland, The Netherlands, Sweden, and the U.K.

Euroclear held €29.2 trillion of client assets on June 30, 2018, processed €394 trillion of transactions in the first half of 2018, and its Collateral Highway service mobilized €1.3 trillion of collateralized transactions each day on average. Euroclear holds 60% of all outstanding Eurobonds, principally in Euroclear Bank, and over 50% of European capital market securities.

We rate Euroclear Bank under our financial market infrastructure (FMI) criteria since we consider that the bank's and the wider group's creditworthiness is more closely linked to the risks and trends in the FMI sector than the banking sector. In our view, Euroclear's business model is built around its crucial role in the global capital markets and capital markets transaction volumes drive its fee-based revenues.

Euroclear is mostly owned by its clients. The largest shareholder is Sicovam Holding (with 15%), the previous owner of the French CSD. Several shareholders of Sicovam Holding are also Euroclear clients. Intercontinental Exchange, Inc. (ICE) holds a 9.9% stake in Euroclear, London Stock Exchnage Group (LSEG) acquired a 4.9% stake in January 2019, and the Belgian State through its invesment vehicle SFPI acquired a 2% stake in November 2018. We understand that these transactions have not affected Euroclear's strategy and independence.

On Nov. 19, 2018, the ownership of the group was transferred from U.K.-based Euroclear PLC to Belgium-based Euroclear Holding SA, a new Belgium-based holding company. Euroclear thus complies with the requirements to remain based in the EU after Brexit. Euroclear Holding SA owns both Luxembourg-incorporated Euroclear Investments S.A. and Belgium-incorporated Euroclear S.A./N.V., intermediate nonoperating holding companies (NOHCs) that sit above Euroclear Bank and the national CSDs, in the ownership structure. Euroclear's shares are not listed, but there is a market for transactions as witnessed by the acquisitions of stakes by ICE, LSEG, and SFPI. As such, Euroclear stopped offering share buybacks in 2018.

Business Risk

Our assessment of Euroclear's business risk as strong reflects its position as operator of the largest CSD business in Europe, including one of the two dominant ICSDs (the other being Clearstream Banking S.A. [Clearstream]). We see barriers to entry into this market as high, reinforced by the tighter standards under CSDR. It is also expensive and time-consuming for customers to switch their business between ICSDs, although there has been a small number of cases where this has happened.

To broaden its franchise, Euroclear is investing in collateral management and fund services that create revenue growth opportunities and address customers' evolving regulatory requirements. Euroclear has benefited from strong demand for collateral arising from changes to banking regulations, such as a push for centralized derivative clearing. It has achieved strong growth in collateral outstandings in Europe. Through DEGCL, a joint venture with The Depository Trust & Clearing Corporation (DTCC), Euroclear proposes innovative infrastructure to its clients to manage margin calls and collateral pools in real-time and on a global basis. It is also pursuing geographic expansion outside Europe through direct links with capital markets in regions such as Asia and Latin America, as seen in Chile and Peru in 2017, to make a broader range of domestic securities eligible for settlement through Euroclear.

Euroclear is developing various initiatives that may provide longer term growth opportunities. These include using distributed ledger technology (DTL) to improve efficiency in certain post-trade segments. In 2017, it joined with various French banks to set up a new FinTech company called LiquidShare that will look at applications for DLT to improve the liquidity of European small and midsize enterprises. In addition, it has a 75% stake in Taskize, which provides back office collaboration software to banks, and a stake in financial technology startup company Quantessence.

Euroclear's Belgian, Dutch, and French CSDs (Euroclear ESES CSDs) migrated to T2S in September 2016. T2S is a centralized platform coordinated by the European Central Bank for the settlement of securities through real-time delivery-versus-payment (DVP) in central bank money. Euroclear ESES CSDs offer direct access in central bank money to six major T2S markets (Belgium, France, Germany, Italy, the Netherlands and Spain) as either issuer or investor CSD. In our view, T2S represents both a challenge and opportunity and, on balance, is likely to be a broadly neutral development for our ratings on Euroclear. T2S has pressured settlement fees but should offer continued opportunities to expand ancillary services and potentially attract clients from smaller national CSDs.

We think that the impact of Brexit is relatively contained for Euroclear. The group plans to establish, subject to regulatory approval, a new CSD in Ireland, based in Dublin. Following Brexit, the U.K. would be Euroclear's only non-EU CSD and could become less integrated; nevertheless as the U.K. CSD contributes close to 18% of Euroclear's turnover and most clients are also Euroclear Bank clients, we consider it enhances Euroclear's business position. Indirectly, Brexit could benefit Euroclear if it leads to more fragmented or polarized markets as Euroclear's cross-border infrastructure would then provide greater benefits to clients.

In line with its FMI peers, Euroclear exhibits significant operating leverage as its expenses are mostly fixed, while its revenues are a function of transaction throughput. We see technology as supportive of the franchise, with the performance and capacity of the settlement system as well proven. When combined with its vast assets under custody and increasing client demand for collateral management services, Euroclear's collateral access service differentiates its business from that of most of its CSD peers, as it does for Clearstream.

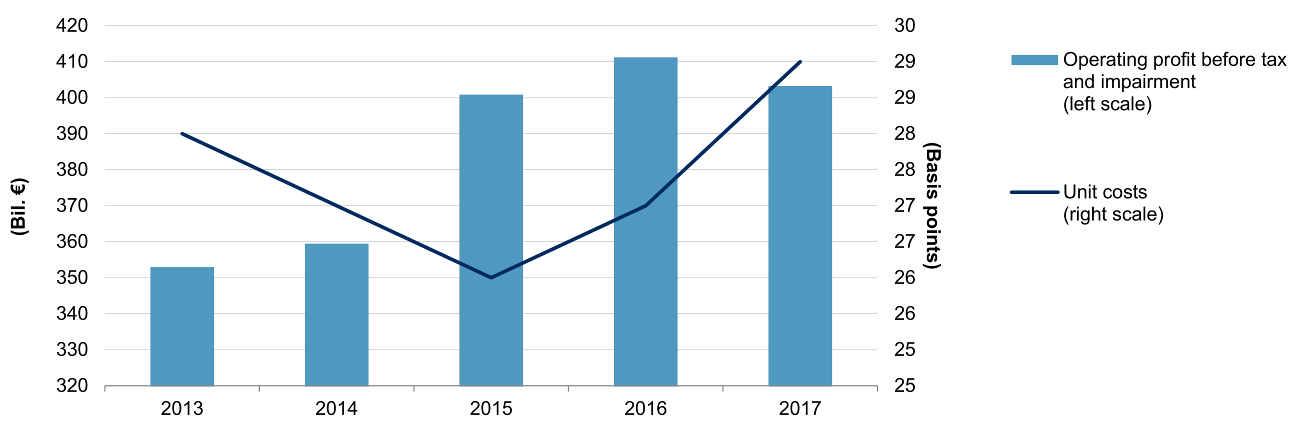
At about 43%, Euroclear's adjusted EBITDA margin is below that of Clearstream and at the lower end of the 43%-66% average for the FMI sector. In our view, most of the gap is attributable to Euroclear's user-owned status and the greater weight of higher-margin revenues at Clearstream.

At the same time, we also consider Euroclear to have a lower earnings volatility than peers. Earnings suffered from the sharp drop in interest rates in 2009 in the wake of the global financial crisis. Since then, Euroclear has privileged transaction-linked fees and commissions as primary revenue generators and has exhibited gradual and reccurring revenue growth.

Euroclear has prioritized cost efficiency to mitigate revenue pressures from low interest rates. Investment in T2S, new revenue opportunities, cyber risk management, and preparations for CSDR have caused Euroclear's absolute costs to increase since 2014, but unit costs remained closely controlled (see chart 2). The significant rise in interest rates in the U.S. has also increased Euroclear Bank's interest revenues on all its U.S. dollar-based transactions. We therefore expect Euroclear to show improved profitability in 2018 compared with 2017.

Chart 2

Euroclear PLC's Earnings And Unit Cost Trends



Source: Euroclear.

Our Base-Case Operating Scenario

- We expect that Euroclear's fee income will be moderately higher in 2018 due to increased custody and transaction volumes.
- We expect that deposit repricing and higher U.S. interest rates should support net interest income and offset the adverse effect of prolonged low eurozone interest rates.
- We expect that CSDR preparations and business investment will cause costs to increase moderately.

Peer comparison

Clearstream, which is the other leading ICSD operator, stands out as Euroclear's closest peer. However, Clearstream is part of the vertically integrated Deutsche Boerse AG group, whereas Euroclear is a stand-alone, post-trade services provider in the settlement layer of the securities trading process. We also compare Euroclear with DTCC's U.S. CSD subsidiary The Depository Trust Co. (DTC), but we note that DTC has a quasi-monopolistic market position. When considering rating comparability, we also look at other highly-rated FMI providers, including CME Group Inc. and ICE.

Financial Risk

We assess Euroclear's financial risk profile as modest and a relative strength for the overall rating that we do not expect to change over our two-year rating horizon. Indeed, the debt issued over the past two years has been driven by regulatory requirements rather than a desire to increase financial leverage.

Euroclear Investments (EINV) issued €600 million of debt at end-2016 and €700 million in early 2018. The first issue was used both to increase the cautionary cash buffer of EINV and to strengthen the loss-absorbing capacity of operating subsidiaries. Of the €700 million issued at EINV, €600 million was downstreamed to Euroclear Bank to meets its anticipated future MREL (minimum requirement for own funds and eligible liabilities) requirements and €100 million was downstreamed to Euroclear SA, the intermediate holding company, to strengthen the capital position of the CSDs in line with CSDR requirements. We view the debt issued by EINV as fulfilling future capital regulatory requirements. We do not consider it freely redeemable by Euroclear group and thus we add it to our measure of debt under our financial leverage metrics.

Euroclear Bank's Euro Medium Term Note issuance (€2.1 billion and £325 million in 2018) and certificates of deposit (€500 million equivalent) were primarily used to bolster the bank's liquidity in light of tighter requirements under CSDR. While CSDR became effective in September 2014, additional provisions are coming into force this year. In particular, Euroclear Bank must demonstrate that it can pass the "cover 2" requirement under CSDR (i.e., withstand the potential stress if the two counterparties giving rise to the largest liquidity outflows fail simultaneously). In our view, increasing available liquidity at the bank through the issuance of long-term bonds has helped Euroclear Bank satisfy these requirements without introducing significant refinancing risk, thanks to carefully laddered maturities. Bond proceeds are reinvested in very highly rated liquid assets that would also be eligible for European Central Bank funding, and we see the potential use of these assets only in a stress scenario and for just a few days. As a result, we recognize the reinvested proceeds as surplus cash which is offset against gross debt in our leverage metrics..

When calculating the weighted-average financial risk metrics, we apply a 50% weight to each of our year-end 2018 and year-end 2019 projections for the Euroclear group, reflecting the major change in financial policy implemented in 2018. On this basis, we project our weighted-average adjusted debt-to-EBITDA metric at about 1.9x and the FFO-to-debt ratio comfortably in excess of 35% but below 50%. We exclude the deposits that clients place with Euroclear Bank from our leverage metrics as they are not structural and are matched with liquid assets, which we also exclude.

Our Base-Case Cash Flow And Capital Structure Scenario

We expect operating cash flows to remain healthy in 2018-2019 relative to 2017, and we assume no transformational acquisitions. We therefore anticipate that Euroclear will retain significant flexibility to meet capital expenditure (capex) and other commitments, and support dividends without placing undue pressure on cash flows.

Accounting

In view of the importance of group financial strength to Euroclear Bank's creditworthiness and franchise, we analyze the consolidated Euroclear group's financial statements as well as those for the bank. The data tables in this report contain group figures.

Preliminary anchor

Our view of Euroclear's strong business risk profile and modest financial risk profile lead to a preliminary anchor of either 'a+' or 'a'. We select 'a+' due to the comparative strength of Euroclear's business risk profile. Other rated FMI sector entities with a strong business risk profile include ASX Ltd., CME Group Inc., Deutsche Boerse AG, and London Stock Exchange Group PLC.

Clearing and settlement risk

We assess Euroclear's clearing and settlement risk as neutral, based on our assessment of the highly diverse and generally good quality of participants of Euroclear Bank and the other CSDs, and the group's risk management policies and procedures. Based on its disclosure framework, Euroclear Bank and the other CSDs "fully observe" or "broadly observe" the key industry standards prescribed in the Principles for Financial Market Infrastructures (PFMI), published in April 2012 by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions. Finally, although Euroclear Bank's business model as an ICSD exposes it to banking risks that most other CSDs do not face, we consider these risks to be well controlled in practice.

Euroclear's leading position in international capital markets leads to a hugely diverse participant base. In our view, participant quality is in many ways typical of the broad market: being a range of buy-side and sell-side firms, including the major banks, custodians, and broker dealers, as well as other CSDs and many central banks. Euroclear reports that it has over 2,000 clients, including over 100 central banks and 90% of the world's 50 largest banks.

We consider Euroclear's risk monitoring procedures and systems as robust. Through its surveillance systems, it closely monitors each participant's unsettled positions, values each member's collateral, and controls collateral movements throughout the trading day. These disciplines are particularly important in Euroclear Bank, which, unlike the other CSDs, extends credit to participants to facilitate settlement efficiency and the delivery of ancillary services such as collateral management and stock borrowing.

The credit facilities for settlement are mainly uncommitted and intraday (sometimes overnight) overdraft lines, provided to clients that do not have sufficient funds on account with the bank. We consider the credit risk incurred through these facilities to be very low given that 99% of the credit exposure is typically well-secured by collateral and the unsecured exposures are typically to highly rated clients. Unsecured intraday overdrafts have dropped to immaterial amounts since 2017, almost all of which is concentrated on central banks that are unable to grant liens on their assets. Under CSDR, only central banks will be permitted to receive unsecured credit.

For secured facilities, Euroclear Bank applies apparently conservative haircuts to the related pledged securities collateral, which vary according to the type of security, its liquidity, and the potential volatility in its value. The collateral, over which Euroclear Bank has retention rights in the event of client default, is marked-to-market on a daily basis and carefully monitored to avoid an undesirable build-up in concentrations. The haircuts are managed actively, aided by the back-testing and stress-testing of valuations. CSDR requires that collateral haircuts are at least as high as those required by central banks, which is already the case for a significant majority of the collateral accepted by Euroclear. Euroclear Bank and Clearstream work closely together to avoid having unmitigated credit risk on each other through the careful management of settlement flow, use of letters of credit, and, as a backstop, the right of legal set-off.

Banking exposure also arises from the large deposit balances left by clients, which have grown significantly since 2008. Euroclear Bank's average overnight cash deposits were €16.2 billion in 2017, down from €18.1 billion in 2016 and from the €25.3 billion peak in 2015 as the bank charged negative rates on euro and U.S. dollar deposits to disincentivize outsize cash balances and manage its margins. Euroclear reported that its deposit base at year-end 2017 included €4.1 billion of deposits blocked under applicable international sanctions.

Euroclear reinvests its cash balances with the dual objectives of limiting credit exposure and maintaining a very high degree of liquidity. The majority is invested in reverse repos withcentral banks. The remainder, typically around €2 billion-€3 billion, is placed on an unsecured basis or left with cash correspondents, with over 90% of balances typically with counterparties rated 'A-' or higher. CSDR does not permit unsecured exposures to be longer than overnight, which is consistent with Euroclear's existing approach.

We consider Euroclear's appetite for risk arising from the investment of its capital to be similarly low. Its main objectives are capital preservation and liquidity, with yield only a secondary consideration. Euroclear invests these resources in short-dated bonds issued by some of the strongest eurozone governments and agencies; the remainder are placed with the Eurosystem via the National Bank of Belgium.

In line with PFMI Principle 7, the Euroclear CSDs size their liquidity so that they have sufficient resources to satisfy the single-largest family default under stressed but plausible conditions. In practice, liquidity risk is very limited for the CSDs due to their use of DVP settlement, lack of banking activities, and use of central bank money for settlement. We consider that the main source of potential liquidity risk to the group therefore comes from Euroclear Bank, which has intraday mismatches and uses commercial bank money for settlement.

In practice, we consider Euroclear Bank's balance sheet liquidity risk to be modest, due to its liability-driven nature and aided by the high quality and short tenor of its financial assets, and its access to contingent sources of liquidity. In our view, the bank's main potential liquidity risk arises intraday since it needs sufficient liquidity to manage the billions of euros of transactions in the batch and real-time daily settlement routines. Across the day, inflows and outflows match very closely, but the bank allows sizable mismatches to occur during the day, as it bridges clients' liquidity gaps with its discretionary extension of intraday overdrafts.

At the opening of the business day (after the night-time settlement process), the bank extends about €60 billion-€70 billion of non-cash intraday credit to its clients. During the day, clients fund their accounts to pay down the overdrafts; others that open the day with the opposite long-cash position will wire some of their proceeds out of the system. As a result, the bank only needs to find intraday liquidity sources during the day for four reasons:

- To the extent that clients with accounts in credit (arising from settlement completion) withdraw cash faster than those with overdrawn accounts pay in cash to remedy this possible shortfall;
- To meet any rise in end-of-day client overdrafts;
- To cover any unequal cash flows with Clearstream, where Euroclear Bank pays out more cash than it receives; and
- To cover any difference between inflows and outflows in deposits generally.

To cover these potential gaps, sources of cash include Euroclear Bank's own on-balance-sheet resources noted above, sizable intraday multi-currency credit lines with cash correspondent banks, committed and backstop facilities, and the ability to monetize client securities at the discount window. We understand that, in practice, there is relatively good matching of daily in-/out-cashflows in normal circumstances, meaning that the bank rarely moves beyond using its on-balance-sheet sources of cash and some operational intraday facilities. We believe that the bank is taking measures to further reduce reliance on intraday facilities as as seen by the bond issuances in 2018. Additionally, the bank runs liquidity stress scenarios to examine more extreme circumstances, which include simulating the effects of the default of the two largest intraday borrowers. As a regulated bank, Euroclear will be subject to the liquidity coverage ratio and net stable funding ratio regimes.

Finally, given the enormous value of the transactions settled, and the number of transactions and counterparties involved, we consider operational risk as a key source of latent risk within Euroclear's settlement process. However, in our opinion, the risk is well managed and controlled, and the level of operational risk losses--typically in the low-single-digit millions annually--is modest. Litigation expenses remain modest, with only one settlement for a few million euros of note in recent years.

Liquidity

We assess Euroclear's structural liquidity position as exceptional, reflecting our view that liquidity sources will remain comfortably in excess of 200% of liquidity uses, and that liquidity sources would comfortably exceed liquidity uses even if forecast EBITDA declines by 50%. A positive liquidity assessment directly benefits a rating only if the anchor is relatively low, but we regard the maintenance of strong liquidity metrics as supportive, if not necessary, for issuers such as Euroclear that have high group credit profiles (GCPs).

Principal sources of liquidity are Euroclear's FFO and the substantial high-quality investment portfolio held by Euroclear S.A./N.V. The principal uses of liquidity currently are servicing the outstanding debt, dividends, and capex. In assessing Euroclear's liquidity position, we set aside the bank's deposit liabilities, debt issuances, and the associated reinvestment proceeds in high-quality, short-maturity liquid assets because we consider them to be offsetting.

Modifiers

We add two notches under the modifiers; one for positive capital structure assessment and another for favorable comparable ratings analysis, increasing Euroclear's GCP up to 'aa' from the preliminary anchor of 'a+'. We assess Euroclear's capital structure as positive since our risk-adjusted capital (RAC) ratio stood at 17.1% at year-end 2017 (see table 1). We observe that the ratio has been volatile in the last two years and we estimate it moderately declined at year-end 2018 following the increase of the balance sheet resulting from the debt issues. We expect the RAC ratio to nevertheless remain well above 10%, in line with Euroclear Bank's commitment to maintain a common equity tier 1 ratio above 30%. Common equity tier 1 ratios stood at 36.5% for the consolidated group and 37.0% for Euroclear Bank at end 2017.

In our calculation of Euroclear Bank's RAC ratio, we do not consider the MREL instruments downstreamed from Euroclear insvestments to have the permanency and loss-absorption characteristics to be included in our measure of total adjusted capital.

Table 1

Euroclear PLC Risk-Adjusted Capital Framework Data

(€ 000s)	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government and central banks	7,961,704	-	-	103,839	1
Institutions and CCPs	38,291,152	-	-	1,589,679	4
Corporate	279,444	-	-	204,184	73
Retail	-	-	-	-	-
Of which mortgage	-	-	-	-	-
Securitization§	-	-	-	-	-
Other assets†	143,253	3,750	3	336,338	235
Total credit risk	46,675,553	3,750	0	2,234,040	5
Credit valuation adjustment					
Total credit valuation adjustment	--	7,650	--	-	--
Market risk					
Equity in the banking book	305,838	807,838	264	137,125	45
Trading book market risk	--	352,475	--	528,713	--
Total market risk	--	1,160,313	--	665,838	--
Operational risk					
Total operational risk	--	4,210,688	--	10,675,733	--
(€ 000s)		**Basel III RWA**		**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification		6,792,625		13,575,610	100
Total diversification/concentration adjustments		--		1,902,371	14

Table 1

Euroclear PLC Risk-Adjusted Capital Framework Data (cont.)				
RWA after diversification	6,792,625		15,477,981	114
(€ 000s)	**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio				
Capital ratio before adjustments	2,479,937	36.5	2,319,428	17.1
Capital ratio after adjustments‡	2,479,937	36.5	2,319,428	15.0

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets includes deferred tax assets (DTAs) not deducted from ACE. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2017, S&P Global.

We add a one-notch adjustment under our comparable ratings analysis because we see Euroclear's relative ranking across the rating subfactors, in aggregate, at the higher end of the range, reflecting its strong and stable creditworthiness. In particular, its strong and predictable cash flow generation means that its supplementary coverage ratios remain at the minimal level even though the financial risk profile is modest. The debt issues are positive for the bank's senior creditors and we believe the bank still warrants a 'aa' GCP when compared with its FMI peers.

Rated entities

We classify Euroclear Bank as a core subsidiary of Euroclear Holding SA and, as a result, we rate it at the level of the GCP. We regard the bank as an integral part of the group's operations, and expect that it will remain the principal contributor to the group's earnings and balance sheet. We are highly unlikely to reclassify this group status.

We view Euroclear Investments as a NOHC because it does not directly generate client revenues. Therefore, we believe it will, to a large extent, rely on cash flows from regulated operating subsidiaries to service its debt. We reflect this structural subordination by rating Euroclear Investments one notch below the GCP, consistent with our usual approach to rating NOHCs.

Table 2

Euroclear PLC--Financial Summary					
	--Fiscal year ended Dec. 31--				
(Mil. €)	**2017**	**2016**	**2015**	**2014**	**2013**
Revenues	1,158.8	1,107.6	1,083.5	1,018.0	969.7
EBITDA	493.5	453.0	474.4	420.2	410.7
Funds from operations (FFO)	479.9	445.0	465.9	415.1	406.3
Net income from continuing operations	236.0	298.2	292.9	280.6	264.9
Cash and short-term investments	6,875.9	2,133.5	1,963.0	2,357.1	2,772.7
Debt	524.3	491.8	171.6	281.5	200.1
Equity	3,670.7	3,560.4	3,475.5	3,244.5	3,262.5
Adjusted ratios					
EBITDA margin (%)	42.6	40.9	43.7	41.3	42.3
Return on capital (%)	10.1	10.1	11.5	10.6	10.6
EBITDA interest coverage (x)	43.9	45.1	42.2	35.4	34.7
FFO cash interest coverage (x)	N.M.	N.M.	N.M.	N.M.	N.M.

Table 2

Euroclear PLC--Financial Summary (cont.)					
	--Fiscal year ended Dec. 31--				
(Mil. €)	**2017**	**2016**	**2015**	**2014**	**2013**
Debt/EBITDA (x)	1.1	1.1	0.4	0.7	0.5
FFO/debt (%)	91.5	90.5	271.5	147.5	203.0

N.M.--Not meaningful.

Table 3

Reconciliation Of Euroclear PLC Reported Amounts With S&P Global Ratings' Adjusted Amounts						
(Mil. €)	--Fiscal year ended Dec. 31, 2017--					
Euroclear PLC reported amounts						
	Debt	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**
Reported	594.90	447.20	408.92	--	447.20	465.92
S&P Global Ratings' adjustments						
Interest expense (reported)	--	--	--	--	--	--
Interest income (reported)	--	--	--	--	(17.98)	--
Current tax expense (reported)	--	--	--	--	--	--
Operating leases	143.17	35.89	9.10	9.10	26.79	26.79
Postretirement benefit obligations/deferred compensation	86.25	2.36	2.36	2.15	15.81	(28.96)
Surplus cash	(300.01)	--	--	--	--	--
Non-operating income (expense)	--	--	(9.93)	--	--	--
EBITDA - Income (expense) of unconsolidated companies	--	8.05	8.05	--	8.05	--
Total adjustments	(70.58)	46.30	9.58	11.24	32.67	(2.17)
S&P Global Ratings' adjusted amounts						
	Debt	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**
Adjusted	524.3	493.5	418.5	11.2	479.9	463.8

Rating Score Snapshot

Issuer Credit Rating: AA/Stable/A-1+

Business risk: Strong

- Country risk: Low
- Industry risk: Low
- Competitive position: Strong

Financial risk: Modest

Preliminary anchor: a+

Clearing and settlement risk: 0 (no impact)

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Positive (+1 notch)
- Financial policy: Neutral (no impact)
- Liquidity: Exceptional (no impact)
- Management and governance: Strong (no impact)
- Comparable rating analysis: Positive (+1 notch)

Group credit profile (GCP): aa

N.B. The above scores reflect the components of the GCP of Euroclear. We classify Euroclear Bank as a core subsidiary and rate it in line with the GCP. We rate Euroclear Investments a notch below the GCP due to its status as an intermediate NOHC.

Related Criteria

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Financial Institutions - General: Key Credit Factors For Financial Market Infrastructure Companies, Dec. 9, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Related Research

- Financial Market Infrastructure Players Are Greedy For Growth Yet Leverage Appetite Remains Restrained, Aug. 29, 2018
- Rating Factor Assessments For Global Financial Market Infrastructure Companies (July 2018), July 31, 2018

Ratings Detail (As Of February 14, 2019)	
Euroclear Bank S.A./N.V.	
Issuer Credit Rating	AA/Stable/A-1+
Certificate Of Deposit	A-1+
Senior Subordinated	A-1+
Senior Subordinated	AA-
Senior Unsecured	A-1+
Senior Unsecured	AA
Issuer Credit Ratings History	
24-Feb-2012	AA/Stable/A-1+
07-Dec-2011	AA+/Watch Neg/A-1+
01-Aug-2000	AA+/Stable/A-1+
Sovereign Rating	
Belgium	AA/Stable/A-1+
Related Entities	
Euroclear Investments S.A.	
Issuer Credit Rating	AA-/Stable/A-1+
Senior Unsecured	AA-
Subordinated	A

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.