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Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks

Primary Credit Analyst:
Angela Cruz, Madrid (34) 91-389-6945; angela.cruz@spglobal.com

Criteria Officers:
Michelle M Brennan, London (44) 20-7176-7205; michelle.brennan@spglobal.com
Tom Connell, Toronto (1) 416-507-2501; thomas.connell@spglobal.com
Nik Khakee, New York (1) 212-438-2473; nik.khakee@spglobal.com

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*(**Editor's Note:** This criteria article is no longer current. It has been superseded by "Methodology For Linking Long-Term And Short-Term Ratings," published April 7, 2017.)*

1. Standard & Poor's Ratings Services is publishing this article to help market participants better understand our approach to assigning short-term ratings to banks, in particular the linkage between short- and long-term issuer credit ratings. The article is related to "Principles Of Credit Ratings," published on Feb. 16, 2011, and partly supersedes "Commercial Paper I: Banks," published on March 23, 2004.

2. Except in a few exceptional circumstances, we do not assign a 'A-1+' short-term issuer credit rating to banks with a long-term issuer credit rating of 'A+', and we do not assign a 'A-1' short-term issuer credit rating to banks with a long-term issuer credit rating of 'A-'.

SCOPE OF THE CRITERIA

3. The criteria apply to all banks globally.

4. This paragraph has been deleted.

5. This paragraph has been moved to the Appendix.

METHODOLOGY

6. There is a strong link between Standard & Poor's short- and long-term rating scales and we use the same relationships consistently for all issuers that we rate. As we explained in "Commercial Paper I: Banks," published March 23, 2004, the 'A-' long-term issuer credit rating is linked to both the 'A-2' or 'A-1' short-term issuer credit ratings. Standard & Poor's generally considers an issuer's overall liquidity and funding profile to determine its final rating. However, the 'A-/A-1' combination is extremely infrequent and we generally no longer consider it to be relevant for banks. Similarly, where the long-term issuer credit rating is 'A+', the short-term issuer credit rating may be 'A-1' or 'A-1+'. However, the 'A+/A-1+' combination is extremely infrequent and we generally no longer consider it to be relevant for banks.

7. Compared with issuers in other sectors, we see banks as highly confidence sensitive, being heavily reliant on short-term funding and on the trust of customers and counterparties ("Banks: Rating Methodology And Assumptions," Nov. 9, 2011). Consequently, at the 'A-' long-term issuer credit rating level, we generally do not consider that the liquidity and funding profile would be strong enough to warrant the exceptional 'A-1' short-term issuer credit rating. Similarly, we consider the 'A+/A-1+' combination to be inappropriate, other than in the below exceptional circumstances. Strong liquidity and funding can help to neutralize some of the disadvantages of confidence sensitivity, but in our view it cannot serve as a basis for viewing short-term creditworthiness as exceptionally strong compared

with long-term creditworthiness, as it can for entities in other sectors.

8. In certain exceptional cases, we assign the 'A+/A-1+' and 'A-/A-1' combinations where the bank receives support from a sovereign government. These exceptional cases are where:

- The supported issuer credit rating is 'A+' or 'A-' and the sovereign government has made a formal public announcement outlining the nature and extent of committed short-term support, which will cover all obligations and apply for at least a year, on a one-year forward rolling basis; or
- The bank is a government-related entity, with ratings equalized with those on the sovereign due to our view of an "almost certain" likelihood that the government would provide timely and sufficient extraordinary support to the bank in the event of financial stress; or
- Specific short-term obligations can be rated higher than the short-term rating on the issuer on the basis of a sovereign guarantee that is in accordance with our criteria for rating substitution.

RELATED CRITERIA

- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Commercial Paper I: Banks, March 23, 2004

These criteria represent the specific application of fundamental principles that define credit risk and ratings opinions. Their use is determined by issuer- or issue-specific attributes as well as Standard & Poor's Ratings Services' assessment of the credit and, if applicable, structural risks for a given issuer or issue rating. Methodology and assumptions may change from time to time as a result of market and economic conditions, issuer- or issue-specific factors, or new empirical evidence that would affect our credit judgment.

APPENDIX

Change History

Feb. 2, 2017 – Updated the Table of Contents, Editor's Note and added an Appendix where we moved paragraph 5, the Affective Date and added a Change History. Paragraph 4 was deleted as it contains information that is no longer relevant. We also added: On Dec. 20, 2016, S&P Global Ratings issued: "Request For Comment: Methodology For Linking Short-Term And Long-Term Ratings". In the Scope of that article it stated that if issued the new criteria would fully supersede this criteria.

Effective Date

These criteria became effective May 4, 2010.