

RatingsDirect®

ARCHIVE | Criteria | Financial Institutions | Banks:
**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

Table Of Contents

SCOPE OF THE CRITERIA

METHODOLOGY

RELATED CRITERIA

APPENDIX

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

(Editor's Note: This criteria article is no longer current. It has been superseded by "Methodology For Linking Long-Term And Short-Term Ratings," published April 7, 2017.)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

Copyright © 2018 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, 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 Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P 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 (negligent or otherwise), 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 or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. 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 does not act as a fiduciary or an investment advisor except where registered as such. 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. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

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 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 (free of charge), and www.ratingsdirect.com and 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.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.