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An Update On How Standard & Poor's Plans To Finalize--And Apply--Its Bank Hybrid Capital Issue Credit Ratings Criteria

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MELBOURNE (Standard & Poor's) Sept. 8, 2014--Standard & Poor's Ratings Services said today that it is updating its plans to publish its revised criteria for determining issue credit ratings on bank and prudentially regulated finance company hybrid capital instruments, and now expects to publish this article in the second part of the week beginning Sept. 15, 2014, and not the week beginning Sept. 8, 2014.

"We're publishing the criteria article later than previously planned while maintaining the original timing for publishing any resulting rating actions. This should reduce the time between the publication of the criteria and the publication of updated ratings on affected instruments, thus reducing potential market uncertainty regarding the rating impact," said Standard & Poor's criteria officer Michelle Brennan. "In addition, this schedule better aligns with the implementation of our revised criteria for assigning national

scale ratings."

The revised hybrid capital criteria, which will govern global scale issue credit ratings, will also affect a number of national scale issue credit ratings on hybrid capital instruments that will be subject to the revised national scale rating criteria that we aim to publish in the upcoming weeks (see "Advance Notice Of Criteria Change: National And Regional Scale Ratings", published Sept. 8, 2014). For those instruments affected by the two pieces of criteria, we intend to review the issue credit ratings for both criteria articles at the same time.

Given the shorter period between the release of the criteria and final ratings, we're changing our approach for rating newly issued hybrid capital instruments to enable us to comment more quickly on the creditworthiness and minimize disruptions for any such instruments issued in September. This means that, for an initial rating on a hybrid capital instrument on or after the criteria article's publication date, we may decide to publish 1.) our issue credit rating on that instrument before reviewing all other hybrid capital instruments issued by that entity, or 2.) the new rating at the same time as the other instrument ratings as originally stated in our July announcement.

As previously stated in "How Standard & Poor's Plans To Finalize--And Apply--Its Bank Hybrid Capital Issue Credit Ratings Criteria," on July 15, 2014, the revised criteria will reflect the changes in the regulatory frameworks for such instruments, including their potential bail-in role (how losses could be imposed on hybrid capital investors to support a distressed bank).

The revised criteria follows our Feb. 6, 2014, publication of a request for comment (RfC) article ("RfC: Assigning Issue Credit Ratings To Bank And Prudentially Regulated Finance Company Hybrid Capital Instruments") outlining our proposed criteria changes. Although the RfC proposed changes only to the section of "Bank Hybrid Capital Methodology And Assumptions" (Nov. 1, 2011) that addresses the assignment of issue credit ratings to bank hybrid capital instruments, we intend to republish the full article--which covers hybrid capital instruments issued by banks, other deposit-taking institutions, all finance companies and securities firms--with the updated section. We still do not expect to make any changes of substance to the criteria in the other sections of that article. For example, we'll not be changing our "equity content" criteria for these instruments, nor the criteria for assigning issue credit ratings to entities that are not subject to prudential regulation.

We've modified the timing of the publication because we understand that several bank issuers plan to issue new hybrid capital instruments during September. The new timing will enable us to provide information on these new instruments more quickly to the market following the publication of the criteria, and will also allow us to combine any rating changes due to the revised criteria with any changes resulting from the implementation of the revised national scale criteria. We also now plan to publish a commentary on the same date as the revised criteria that will give examples of how we'll

rate certain types of instrument structures under the revised criteria.

THE CURRENT CRITERIA REMAIN IN EFFECT UNTIL WE PUBLISH THE REVISED CRITERIA
The revised criteria are effective upon publication. Until then, we apply and rate all issues and issuers according to the existing criteria. The revised criteria will apply to any rating we assign from the date of publication of that, as will the surveillance of outstanding ratings. We plan to complete our review of most or all of the affected ratings before the end of September, although some may be later.

Our assessment of the potential ratings impact is consistent with that communicated in our July 2014 update to the market.

THE PROCESS OF PLACING ISSUE CREDIT RATINGS UNDER CRITERIA OBSERVATION (UCO)
Upon the publication of the revised criteria, Standard & Poor's expects to assign the "under criteria observation" (UCO) identifier to approximately 2,100 issue credit ratings. This number is lower than the approximately 2,300 ratings mentioned in our July announcement because of continuing updates to our ratings database to take account of instruments that have been redeemed. The UCO identifier indicates that we are reviewing these ratings because of the implementation of the revised criteria (see "Standard & Poor's Announces 'Under Criteria Observation' Identifier For Ratings Potentially Affected By Criteria Changes," May 7, 2013). The addition of the UCO identifier to a rating does not change that rating's definition or our opinion about the issue's or issuer's creditworthiness. The public ratings assigned the UCO identifier will be available on www.standardandpoors.com and RatingsDirect. The UCO identifier will remain in place until the conclusion of the review under the revised criteria, at which time we'll take whatever rating action we have deemed appropriate and remove the UCO identifier.

HOW WE'LL COMMUNICATE OUR RATING ACTIONS

We plan to complete our review of most or all ratings under the scope of the criteria before the end of September. We'll communicate the rating actions via several press releases, most of which we aim to publish before end-September 2014. We'll contact all issuers before publication of the press release announcing the rating action, according to our usual process. In these releases, we'll specify that the rating action is due to the application of the revised criteria.

EXPEDITED REVIEWS

In the event of a hybrid capital instrument to be assigned an initial rating on or after the criteria article's publication date, we may now publish our issue credit rating on that instrument before reviewing all other hybrid capital instruments issued by that entity (which would be subject to the UCO identifier) to provide our opinion on the new instrument more quickly, or alternatively to assign the rating at the same time as the review of the other instruments. However, if we review the issuer credit rating on the issuing entity on or after the publication date (whether as part of the normal surveillance process or due to an event-driven review), then we still intend to at the same time review all of its issued hybrid capital instruments under

the revised criteria.

RELATED CRITERIA AND RESEARCH

- Advance Notice Of Criteria Change: National And Regional Scale Ratings, Sept. 8, 2014
- How Standard & Poor's Plans To Finalize--And Apply--Its Bank Hybrid Capital Issue Credit Ratings Criteria, July 15, 2014
- RFC: Assigning Issue Credit Ratings To Bank And Prudentially Regulated Finance Company Hybrid Capital Instruments," Feb. 6, 2014
- Increasing Bail-In Risks For Bank Hybrid Capital Instruments Are Behind Our Proposed Criteria Change, Feb. 6, 2014
- Q&A: What's Behind Our Proposal To Change Our Criteria For Rating Hybrid Capital Instruments Issued By Banks And Prudentially Regulated Finance Companies? Feb. 6, 2014
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011

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